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Purchase and sale of farm products. Hearings before the Committee on agriculture and forestry, United States Senate, Sixty-eighth Congress, first session, on S. 1642, a bill to provide for the purchase and sale of farm products and S. 2012, a bill declaring an emergency in respect of certain agricultural commodities, to promote equality between agricultural commod-

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U. S. *Congress. Senate. Committee on agriculture and forestry.* Purchase and sale of farm products ... (Card 2)

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Paged continuously.
George W. Norris, chairman.

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Purchase and sale of farm products.

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PURCHASE AND SALE OF FARM PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 1642

A BILL TO PROVIDE FOR THE PURCHASE AND SALE OF FARM PRODUCTS

AND

S. 2012

A BILL DECLARING AN EMERGENCY IN RESPECT OF CERTAIN AGRICULTURAL COMMODITIES, TO PROMOTE EQUALITY BETWEEN AGRICULTURAL COMMODITIES AND OTHER COMMODITIES, AND FOR OTHER PURPOSES

JANUARY 7, 8, 9, 10, 11, 17, 18, 19, 22, 23, AND 26, 1924

PART 1

Printed for the use of the Committee on Agriculture and Forestry

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PURCHASE AND SALE OF FARM PRODUCTS.

MONDAY, JANUARY 7, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Gooding, Ladd, Norbeck, Harreld, McKinely, Smith, Kendrick, Ralston, and Johnson.

The CHAIRMAN. I will ask Senator Ladd to preside at the hearings this morning.

(Senator Ladd here assumed the chair.)

Senator LADD. I understand this morning that this meeting was called to give those who desired to appear an opportunity to express their views with regard to the pending legislation in agricultural matters, and with regard to any specific bill that they may be interested in.

I will ask the reporter to have printed in the hearings the bills under consideration.

(The bills referred to are here printed in full, as follows:)

[S. 1642, Sixty-eighth Congress, first session.]

A BILL To provide for the purchase and sale of farm products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this act shall be "The Farmers' and Consumers' Financing Corporation Act."

SEC. 2. When used in this act the term "person" includes partnerships, corporations, associations, cooperative organizations of producers, cooperative organizations of consumers, and municipal corporations, as well as individuals.

SEC. 3. A board of directors, consisting of three members appointed as hereinafter provided, are hereby created a body corporate by the name, style, and title of "The Farmers' and Consumers' Financing Corporation" (herein called the corporation), and shall have succession until dissolved by act of Congress.

SEC. 4. That the capital stock of the corporation shall be $100,000,000, all of which shall be subscribed by the United States of America, and such subscription shall be subject to call upon the vote of two-thirds of the board of directors of the corporation at such time or times as may be deemed advisable; and there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $100,000,000, or so much thereof as may be necessary, for the purpose of making payment upon such subscriptions when and as called. Receipts for payments by the United States of America for or on account of such stock shall be issued by the corporation to the Secretary of the Treasury and shall be evidence of stock ownership.

SEC. 5. That the management of the corporation shall be vested in a board of directors, consisting of three members, to be appointed by the President, by and with the advice and consent of the Senate. The term of office of members

of said board shall be eight years, but in the first appointments made under this act one director shall be appointed for four years, one for six years, and one for eight years, and thereafter appointments shall be made for eight years: *Provided*, That in case of the appointment of any member of said board to fill a vacancy the appointment shall be made for the unexpired term. The member of said board, except in appointments made to fill a vacancy, having the shortest term to serve shall be the chairman thereof. No director, officer, attorney, agent, or employee of the corporation shall in any manner, directly or indirectly, participate in the determination of any question affecting his personal interests or the interest of any corporation, partnership, or association in which he is directly or indirectly interested; and each director shall devote his time to the business of the corporation. Before entering upon his duties each of the directors so appointed and each officer shall take oath faithfully to discharge the duties of his office. Any member of said board of directors can be removed from office at any time by concurrent resolution of the Senate and House of Representatives.

SEC. 6. That the directors of the corporation appointed as hereinbefore provided shall receive annual salaries, payable monthly, of $10,000.

SEC. 7. That the principal office of the corporation shall be located in the District of Columbia, but the board of directors shall have power to establish agencies or branch offices in any place in the United States and in foreign countries.

SEC. 8. That the corporation shall be empowered and authorized to adopt, alter, and use a corporate seal; to make contracts; to purchase or lease and hold or dispose of such real estate as may be necessary for the prosecution of its business; to sue and be sued; to complain and defend in any court of competent jurisdiction, State or Federal; to appoint, by its board of directors, and fix the compensation of such officers, employees, attorneys, and agents as are necessary for the transaction of the business of the corporation, to define their duties, require bonds of them, and fix the penalties thereof and to dismiss at pleasure such officers, employees, attorneys, and agents, and to prescribe, amend, and repeal, by its board of directors, by-laws regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised; *Provided*, That in the appointment or promotion of any such officers and employees, attorneys, or agents, the board shall give no consideration whatever to the politics of such persons, but all such appointments and promotions, as well as all other business of the corporation, shall be conducted and transacted entirely on a nonpartisan basis.

SEC. 9. That the corporation shall be empowered and authorized (1) to build, buy, lease, and operate elevators and storage warehouses; (2) to buy agricultural products from any person within the United States, and to sell such products to any person within the United States, and to any person or to any government, or subdivision of government without the United States; (3) to act as agent of any person producing or dealing in agricultural products, either in their natural or prepared state, within the United States, in the sale of such products either within or without the United States; and (4) to make advances for the purpose of assisting any person in financing the sale, or exportation and sale, of such agricultural products, but in no case shall any of the money so advanced be expended without the United States. Every such advance, and any sale of such products made on time, shall be secured by adequate security of such character as shall be prescribed by the board of directors. It is hereby declared to be the object and purpose of this act to provide a market for the sale of agricultural products, and to eliminate as far as possible the commissions and charges that are exacted upon agricultural products from the time such products leave the producer until the same reaches the consumer, and to thereby increase the price which the producer receives and decrease the price which the consumer pays.

SEC. 10. That the operation shall be empowered and authorized to issue and have outstanding at any one time its bonds in an amount aggregating not more than five times its paid-in capital. Such bonds shall mature not more than ten years from the respective dates of issue, and shall bear such rate of interest as shall be fixed by the board of directors with the approval of the Secretary of the Treasury. The bonds may be offered for sale publicly or to any person at such price or prices as the board of directors, with the approval of the Secretary of the Treasury, may determine.

SEC. 11. That the net earnings of the corporation not required for its operation shall be accumulated as a reserve until such time as such reserve amounts

to $100,000,000; and thereafter all the net earnings of the corporation not required for the redemption of any of its bonds shall be paid into the Treasury of the United States until such payments equal the amount advanced by the United States for the capital stock of the corporation.

SEC. 12. That any and all bonds issued by the corporation shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States upon the income or profits of individuals, partnerships, corporations, or associations. The interest on an amount of such bonds the principal of which does not exceed in the aggregate $5,000 owned by any individual, partnership, corporation, or association shall be exempt from the taxes referred to in clause (b). The corporation, including its franchise and the capital and reserve or surplus thereof, and the income derived therefrom, shall be exempt from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or any local taxing authority, except that any real property of the corporation shall be subject to State, county, or municipal taxes to the same extent, according to its value, as other real property is taxed.

SEC. 13. That whoever makes any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person any advance under this act, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than five years, or both.

Whoever willfully overvalues any security by which any such advance is secured shall be punished by a fine of not more than $5,000, or by imprisonment for not more than two years, or both.

Whoever (1) falsely makes, forges, or counterfeits any bond, coupon, or paper in imitation of or purporting to be in imitation of a bond or coupon issued by the corporation; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish any false, forged, or counterfeited bond, coupon, or paper purporting to be issued by the corporation, knowing the same to be falsely made, forged, or counterfeited; or (3) falsely alters any such bond, coupon, or paper; or (4) passes, utters, or publishes as true any falsely altered or spurious bond, coupon, or paper issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than five years, or both.

SEC. 14. That whoever, being connected in any capacity with the corporation (1) embezzles, abstracts, or willfully misapplies any moneys, funds, or credits thereof, or (2) with intent to defraud the corporation or any person, or to deceive any officer of the corporation (a) makes any false entry in any book, report, or statement of the corporation, or (b) without authority from the directors, draws any order or assigns any note, bond, draft, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than five years, or both.

The Secretary of the Treasury is authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person committing any of the offenses punishable under this section.

SEC. 15. That for the purpose of securing reduced rates for export shipments of any of the products handled by the corporation, said corporation is hereby given authority to operate any of the vessels now owned by the United States which are not chartered or leased to any other person or corporation for the purpose of carrying any such products to foreign ports; and the President of the United States is authorized to turn any such vessel or vessels over to such corporation when in his judgment the business of said corporation is sufficient to warrant it. No charge shall be exacted of said corporation for the use of any such vessels, but the corporation shall keep all such vessels so turned over in good repair during the time it shall use the same.

In case of war, or when in the judgment of the President of the United States there is danger of war, any such vessel or vessels so turned over to the corporation shall, upon the demand of the President of the United States, be immediately returned to the Government of the United States.

[S. 2012, Sixty-eighth Congress, first session.]

A BILL Declaring an emergency in respect of certain agricultural commodities, to promote equality between agricultural commodities and other commodities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

TITLE I.—UNITED STATES AGRICULTURAL EXPORT COMMISSION.

PART 1.—ORGANIZATION AND ADMINISTRATION.

SECTION 1. (a) There is hereby established, as an emergency measure, a temporary commission to be known as the United States Agricultural Export Commission (hereinafter in this act referred to as the "commission") and to be composed of the following:

(1) The Secretary of Agriculture, who shall be the chairman of the commission.

(2) The Secretary of Commerce, who shall be the vice chairman of the commission.

(3) The Secretary of the Treasury.

(4) The chairman of the United States Tariff Commission.

(5) The three directors of the Agricultural Export Corporation, created by Title II of this act.

(6) An administrative commissioner to be appointed by the President, by and with the advice and consent of the Senate, from not less than three individuals recommended to the President by the Secretary of Agriculture.

(b) A vacancy in the office of the administrative commissioner shall be filled in the same manner as the original appointment.

(c) The commission shall continue in existence until the termination of the general emergency, as ascertained and proclaimed by the President under section 21, but in no event for more than ten years from the June 30 next following the passage of this act; except that the commission may remain in existence for such additional period as the President shall by Executive order designate, for the purpose of adjusting, settling, and winding up its affairs.

SEC. 2. (a) The term of office of the administrative commissioner first appointed shall expire six years after the passage of this act, and his successors shall be appointed for terms of six years; except that (1) the term of office of the adminitrative commissioner in office at the time of the termination of the existence of the commission shall expire at such time, (2) any individual appointed to fill a vacancy in the office of administrative commissioner occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the unexpired term of his predecessor, and (3) any administrative commissioner in office at the expiration of the term for which he was appointed may continue in office until his successor takes office.

(b) Vacancies in the commission shall not impair the power of the remaining commissioners to execute the functions of the commission. A majority of the commissioners, one of whom is the chairman or vice chairman, shall constitute a quorum for the transaction of the business of the commission.

SEC. 3. The administrative commissioner shall receive a salary of $10,000 a year, and he shall not actively engage in any other business, vocation, or employment than that of serving as a commissioner. The remaining commissioners shall receive no salaries as commissioners.

SEC. 4. The commission may (a) appoint a secretary who shall receive a salary at the rate of $6,000 a year, and (b) appoint, and fix the salaries of, such experts, and, subject to the provisions of the civil service laws, such other officers, employees, and agents and make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding), as may be necessary for the execution of the functions vested in the commission, and as may be provided for by the Congress from time to time. All expenditures of the commission shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the administrative commissioner.

SEC. 5. The commission—

(a) Shall maintain its principal office in the District of Columbia.

(b) Shall have an official seal which shall be judicially noticed.

(c) Shall make an annual report to the Congress.

(d) May make such regulations as are necessary to execute the functions vested in it by this act.

(e) May accept the services of any person without compensation.

SEC. 6. Whenever the commission finds it necessary to facilitate printing and binding in connection with the publication by it of ratio prices and other matters under this act, it may have such printing and binding done elsewhere than at the Government Printing Office, notwithstanding the provisions of section 11 of the act entitled "An act making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1920, and for other purposes," approved March 1, 1919.

SEC. 7. For expenses in the administration of the functions vested in the commission by this act there is hereby authorized to be appropriated the sum of $50,000, to be available for such expenses incurred prior to July 1, 1925.

PART 2.—RATIO PRICES.

GENERAL EMERGENCY.

SEC. 21. (a) It is hereby declared that there exists a general emergency in respect of agricultural commodities by reason of—

(1) The continued economic depression in agriculture.

(2) Inequalities in prices between agricultural commodities and other commodities, resulting in a relatively inadequate return to the farmer for his labor and upon his investment.

(3) The existence of surpluses available for export in agricultural commodities.

(4) The necessity in part for the existence of such surpluses in order to safeguard the domestic market against uncertainties of yield, and the economic impracticability of immediately preventing the continued production of such surpluses.

(5) The dependence of the prices of such surplus commodities upon the lower prices in foreign markets due to unsettled world conditions and lower costs of production.

(b) The President, upon recommendation by the commission, is authorized by proclamation to terminate the emergency declared by this section whenever the commission determines that the emergency conditions have ceased to exist or are no longer controlling; but in no event shall such emergency be held to exist later than 10 years from the June 30 next following the date of passage of this Act.

SPECIAL EMERGENCY.

SEC. 22. (a) If the commission finds that (1) there is a surplus for export of wheat, flour, corn, raw cotton, wool, cattle, sheep, swine, or any food product of cattle, sheep, or swine, and that the domestic price thereof is determined by the world price, and (2) according to estimates made by it, the ratio prices, as defined in section 24, in respect of the commodity would be in excess of the domestic price thereof, the commission is authorized to notify the President in writing of its findings. Upon such notification from the commission, the President is authorized by proclamation to declare that a special emergency exists as to such agricultural commodity.

(b) Whenever the commission finds that the special emergency conditions no longer exist or are no longer controlling in respect of the agricultural commodity, it shall notify the President in writing of its findings, and the President is authorized by proclamation to declare that such special emergency is terminated.

DEFINITIONS.

SEC. 23. As used in this Act—

(a) The term "basic agricultural commodity" means any agricultural commodity produced in the United States in respect of which a special emergency has been declared and not terminated, and any class or grade of any such commodity.

(b) The term "month" means calendar month.

(c) The term "year" means calendar year.

(d) The term "person" means individual, partnership, corporation, and association.

COMPUTATION OF RATIO PRICE.

SEC. 24. (a) The commission shall publish, for each month commencing after the issuance of the proclamation declaring a special emergency in respect of any basic agricultural commodity, a price therefor to be known as the "ratio price" aid to be determined as follows:

(1) The ration price of such basic agricultural commodity for any month shall bear the same relation to the current all-commodities price in effect for such month as—

(2) The pre-war basic-commodity price thereof for the corresponding month bears to the pre-war all-commodities price in effect for such month.

(b) For the purpose of determining a ratio price—

(1) The Secretary of Labor, as soon as practicable after the passage of this Act, shall compute twelve average prices, one in respect of each of the months of the year. Each such average price shall be the average of the prices of all commodities attributable to such month for the period 1905 to 1914, inclusive. Any such average price is referred to in this Act as the "pre-war all-commodities price." In computing such pre-war all-commodities prices the Secretary of Labor shall use the prices selected and the weights applied as the basis for computing, for all commodities for such years, the index numbers shown on page 9 of Bulletin Numbered 335 of the Bureau of Labor Statistics.

(2) The Secretary of Agriculture and the Secretary of Labor shall, as soon as practicable after the issuance of a proclamation, declaring a special emergency in respect of a basic agricultural commodity, jointly prepare in respect of such commodity twelve average prices, one in respect of each of the months of the year. Each such average price shall be the average of the prices for such commodity attributable to such month for the period 1905 to 1914, inclusive. Any such average price is referred to in this Act as the "pre-war basic-commodity price."

(3) The Secretary of Labor within fifteen days after the termination of a month shall compute and publish the average price of all commodities for such month. In computing such average price the Secretary shall use the commodities selected and the weights applied by the Bureau of Labor Statistics as a basis for computing for the year 1923 the index numbers of wholesale prices of all commodities for such year. Such average price is referred to in this Act as the "current all-commodities price."

(c) For the purposes of subdivision (a), the current all-commodities price or the pre-war all-commodities price in effect for any month shall be the price computed for the preceding month.

(d) Ratio prices for any month shall be published at noon of the 15th day of such month and shall remain in effect until noon of the 15th day of the next following month. The publication of the ratio prices in respect of any basic agricultural commodity shall cease upon the termination, as provided in section 22, of the emergency in respect of such commodity.

(e) For the purpose of any computation under this section the officers or agency directed to make the computation may prescribe such necessary regulations as are in accordance with approved statistical methods.

EXPORT SURPLUS.

SEC. 25. (a) The commission shall determine the probable export surplus of basic agricultural commodities, considering in such determination in respect of any such commodity probable and previous domestic consumption, present reserves carry over, probable and previous exports and imports, and estimated current production. Upon the basis of any such determination the commission, whenever a ratio price is established in respect of any basic agricultural commodity, shall recommend to the corporation (1) the estimated amount of any such commodity to be purchased for the purposes of this Act for the remainder of the current year, and (2) the amount to be purchased during each month of such year. Thereafter, recommendations for amounts of such commodity to be purchased (1) for each year and (2) for each month, shall be made prior to the beginning of such year.

(b) Whenever, after such recommendation, the commission finds that the domestic price of such commodity is more than 10 per centum lower than the ratio price established for such commodity, it shall revise its recommendations in respect of the yearly and monthly amounts of such commodity to be purchased by the corporation, so as to raise such domestic price to the level of the ratio price.

(c) Whenever the commission deems it advisable it shall direct the corporation to sell in the domestic market, at not less than the ratio price, such quantities of the commodity in its custody as the commission may designate.

TITLE II.—UNITED STATES AGRICULTURAL EXPORT CORPORATION.

PART 1.—ORGANIZATION AND MANAGEMENT.

SEC. 201. For the purpose of relieving the emergency declared in section 21, by conducting the business of trading in basic agricultural commodities, the five following individuals and their successors are hereby incorporated and declared to be a body corporate under the name of the United States Agricultural Export Corporation (referred to in this Act as the "corporation"):

(a) The Secretary of Agriculture.

(b) The Secretary of Commerce.

(c) Three idividuals appointed by the President, by and with the advice and consent of the Senate, two from not less than six individuals recommended to the President by the Secretary of Agriculture, and one from not less than three individuals recommended to the President by the Secretary of Commerce.

BOARD OF DIRECTORS.

SEC. 202. The individuals specified in section 201 and their successors shall constitute the board of directors of the corporation, and the President shall at the time of appointment designate one of the appointed directors as managing director. Any vacancy in the office of an appointed director shall be filled in the same manner as the original appointment. The Secretary of Agriculture shall be chairman of the board of directors and the Secretary of Commerce vice chairman.

DURATION OF CORPORATE EXISTENCE.

SEC. 203. The incorporation shall be held effected at the time the office of managing director is first filled. The corporate existence shall continue until the termination of the general emergency as ascertained and proclaimed by the President under section 21, but in no event for more than ten years from the June 30 next following the passage of this Act, except that the corporation may remain in existence for such additional period as the President shall by Executive order designate for the purpose of adjusting, settling, liquidating, and winding up its affairs.

APPOINTMENT AND TERMS OF OFFICE OF DIRECTORS.

SEC. 204. (a) The term of office of the managing director first appointed shall expire five years after the passage of this Act; the terms of office of the two remaining directors first appointed shall expire four and three years, respectively, after the passage of this Act, the term of each to be designated by the President. Their successors shall be appointed for terms of six years, except that (1) the terms of all the directors shall expire upon the termination of the corporate existence, and (2) any individual appointed to fill a vacancy in the office of a director occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the unexpired term of his predecessor, and (3) any director in office at the expiration of the term for which he was appointed may continue in office until his successor takes office.

(b) Vacancies in the board of directors shall not impair the power of the remaining directors to execute the functions of the board. Three directors shall constitute a quorum for the transaction of the business of the corporation.

(c) Appointments to the office of director shall be made with due regard for the appointees' knowledge of and experience in the domestic and foreign marketing of agricultural products.

SALARIES OF DIRECTORS.

SEC. 205. The appointed directors shall receive a salary of $10,000 a year. The directors shall not actively engage in any business, vocation, or employment other than that of serving as a director of the corporation and a commissioner of the United States Agricultural Export Commission. Nothing in this

Act or other law shall be construed to prevent an officer or employee of the United States from holding, in addition, the office of director of the corporation, but any such director shall receive from the corporation only such additional salary, if any, as is necessary to increase his total salary from the United States and from the corporation to $10,000 a year.

QUALIFICATIONS OF DIRECTORS.

SEC. 206. Directors, officers, and employees of the corporation shall take the oath of office provided in section 1757 of the Revised Statutes. They shall not participate, directly or indirectly, in any way in the determination of questions coming before the corporation affecting their pecuniary interests outside the corporation, or the interests of any partnership, corporation, or association in which they are or may be, directly or indirectly, pecuniarily interested; but any such participation in violation of this section shall not affect any act of the corporation.

MANAGEMENT OF CORPORATION.

SEC. 207. Except as otherwise provided in this Act, the management of the corporation is vested in the directors.

PART 2.—CAPITAL.

CAPITAL STOCK.

SEC. 221. (a) The capital stock of the corporation shall be $200,000,000, and all of such amount is hereby subscribed by the United States. The amount of such subscription shall be subject to call (in amounts of $5,000,000 or multiples thereof, and after thirty days' notice of each call to the Secretary of the Treasury) by the vote of four-fifths of the directors of the corporation. Payment of an amount so called shall be made by the Secretary of the Treasury, and stock in such amount, without voting privileges, shall be issued by the corporation to the United States and delivered to the Secretary of the Treasury. Receipts for payments of such amounts by the United States for such stock shall be issued by the corporation and delivered to the Secretary of the Treasury, and shall be evidence of the stock ownership of the United States.

(b) There is hereby authorized to be appropriated the sum of $200,000,000, or so much thereof as may be necessary, for the purpose of purchasing stock of the corporation in accordance with the provisions of subdivision (a).

ISSUANCE OF SECURITIES.

SEC. 222. (a) The corporation may borrow money and issue its notes, bonds, or other evidences of indebtedness therefor, except that the corporation shall not have power to issue or obligate itself in an amount of notes, bonds, or other evidences of indebtedness outstanding at any one time in excess of its authorized capital stock. The rate of interest, the maturity, and the other terms of the notes, bonds, or other evidences of indebtedness, and the security therefor, may be determined by the corporation.

LIABILITY OF THE UNITED STATES.

SEC. 223. The United States shall assume no liability, directly or indirectly, for any notes, bonds, or other exidences of indebtedness issued by the corporation, and all of such evidences of indebtedness shall so state on their face.

TAXATION.

SEC. 224. The notes, bonds, and other evidences of indebtedness of the corporation and income derived in respect thereof, and the corporation, its income and property, shall not be exempt from taxation by the United States. The income from notes, bonds, and other evidences of indebtedness of the corporation and the real estate of the corporation shall not be exempt from taxation by a State, but may be taxed by it on to the same extent as the dividends derived from the shares, and as the real estate, respectively, of a national banking association located within the limits of the State may be taxed under section 5219 of the Revised Statutes, as amended.

PART 3.—POWERS.

GENERAL POWERS.

SEC. 231. The corporation—

(a) Shall have succession in its corporate name during its existence.

(b) May sue and be sued in its corporate name.

(c) May adopt a corporate seal, which shall be judicially noticed, and may alter it at pleasure.

(d) May make contracts.

(e) May acquire, hold for any lawful purpose, and dispose of property.

(f) May appoint, fix the compensation of, and remove without prejudice to contract rights such officers, employees, and agents as are necessary for the conduct of the affairs of the corporation. Such officers, employees, and agents may be either individuals, partnerships, corporations, or associations. Each officer, employee, or agent responsible for the handling of money or the custody of basic agricultural commodities or other products shall give bond in such amount with such penalties and upon such terms as the corporation shall determine.

(g) May accept the services of any person without compensation.

(h) May adopt, amend, and repeal by-laws.

(i) Shall have such powers not specifically denied by law as are necessary and proper to conduct the business of trading in basic agricultural products in accordance with this Act, or to conduct such further business as is necessary and incidental thereto.

SPECIAL POWERS.

SEC. 232. The corportion is authorized—

(a) To acquire, construct, maintain, and dispose of or acquire the rights of operation of (1) storage warehouses for basic agricultural commodities, (2) facilities for transportation (otherwise than as a common carrier) in connection with the storage of such commodities, except that no such facility shall be acquired by purchase or construction without the approval of the commission, and (3) facilities for processing such commodities.

(b) To make contracts for the processing of basic agricultural commodities held by the corporation.

(c) To conduct the business of furnishing storage facilities for basic agricultural commodities.

(d) To make advances directly to any person if the notes and bonds or other evidences of indebtedness representing such advances are secured by warehouse receipts and/or shipping documents covering such commodities and/or mortgages thereof. Such advances shall be subject to such conditions as the corporation may impose, except that no advance shall be for a period in excess of three years, and except that the amount of the advance shall not exceed 75 per centum of the market value of the basic agricultural products covered by such warehouse receipts, shipping documents, or mortgages. The corporation may, in its discretion, sell any advances made under this section, with or without its indorsement.

(e) To acquire, hold, and dispose of certificates of indebtedness or interest of any person received as security for advances upon basic agricultural commodities or received in payment of the purchase price of such commodities sold by the corporation.

(f) To buy and sell foreign money for the purpose of avoiding the risk of fluctuations in exchange.

PURCHASES AND SALES BY THE CORPORATION.

SEC. 233. (a) The corporation shall purchase during each month in the domestic market at the ratio price—

(1) The amounts of any basic agricultural commodity in accordance with recommendations made by the commission under section 25; or

(2) If the commission has revised its recommendations as provided in such section, then the amounts so recommended.

(b) The corporation shall sell the amounts of any such commodity purchased in accordance with the provisions of subdivision (a) of this section—

(1) In the foreign market at such times as it deems advisable and at the highest prices obtainable; and

(2) In the domestic market at not less than the ratio price if the commission, as provided in section 25, so directs.

(c) After the special emergency in respect of any such commodity has been terminated the corporation, in order to wind up its operations in respect of such commodity, may sell its surplus thereof in either the domestic or foreign market at the highest prices obtainable.

PART 4.—MISCELLANEOUS PROVISIONS.

DISPOSITION OF ASSETS.

SEC. 241. Upon the termination of the existence of the corporation all moneys in its treasury shall be covered into the Treasury of the United States as miscellaneous receipts, and all unliquidated property of the corporation shall be transferred to the United States in such manner as the President may by Executive order determine.

OFFICES.

SEC. 242. The corporation shall maintain its principal office in the District of Columbia and may establish such agencies or branch offices at such places as it finds advisable. The corporation shall be held an inhabitant and resident of the District of Columbia within the meaning of laws of the United States relating to venue of civil suits and of offenses against the United States.

BOOKS.

SEC. 243. The corporation shall keep, at its principal office in the custody of the managing director, correct books, showing the original or a transcript of the minutes of the directors' meetings, and showing the accounts of the corporation's business transactions. The books shall be kept in such form and shall be open to inspection to such persons and at such times as the commision may prescribe.

AUDITS.

SEC. 244. The books and accounts of the corporation shall be audited at least once every year at such times and by such auditors as the commission may direct.

ANNUAL REPORT.

SEC. 245. The corporation shall make to the commission an annual report in such form as the commission may prescribe. Such report shall be included by the commission in its annual report to the Congress.

TITLE III.—APPORTIONMENT OF EXPENSES AND EQUALIZATION LOSSES OF THE CORPORATION.

PART 1.—EQUALIZATION FEE.

PURPOSE.

SEC. 301. In order that the producers of each basic agricultural commodity may pay ratably their equitable share of the expenses of the corporation, and of the equalization losses sustained by the corporation from sales of basic agricultural commodities in foreign markets; and in order to prevent any unjust discrimination against, any direct burden or undue restraint upon, and any suppression of commerce in basic agricultural commodites with foreign nations in favor of interstate or intrastate commerce; and in order to encourage and stimulate the normal and usual current of such commerce, an equalization fee shall be apportioned and paid, as hereinafter provided, in respect of each sale of a basic agricultural product, by or on the account of the produced, during a special emergency ascertained and proclaimed under section 22.

DETERMINATION OF AMOUNT OF FEE.

SEC. 302. (a) The commission shall for such operation periods, not in excess of one year, as it deems necessary, prepare estimates in respect of each agricultural commodity (unless it determines that a special emergency in respect

of such commodity will not be ascertained and proclaimed during such year), as to (1) the probable prices obtainable in the foreign market for the exportable surplus determined under section 25; (2) the probable losses of the corporation from its transactions in the foreign market; and (3) the expenses of the corporation.

(b) Having due regard to such estimates, the commission shall determine, as nearly as may be, the total amount of such expenses and losses which will be incurred or sustained as a result of, and fairly and properly attributable to, the operations of the corporation in respect of each agricultural commodity during each operation period.

(c) The commission shall ascertain the standard unit of weight or measure by which each such commodity is commonly sold or traded in, in the markets or exchanges of the United States, and shall determine the amount to be collected in respect of each sale of such unit, as hereinafter provided. Such amount is hereinafter referred to as the "equalization fee."

(d) As used in this title the term "sale" includes an exchange for money, other property, or for money and other property, but does not include a transfer to an association of producers of agricultural products, whether or not incorporated, by a member or stockholder thereof, for the purpose of a sale by such association or corporation for such member or stockholder.

PAYMENT AND COLLECTION OF THE FEE.

SEC. 303. (a) Whenever a special emergency in respect of any agricultural commodity has been ascertained and proclaimed, and until the termination of such emergency, under section 22, the equalization fee shall be paid and collected upon every sale of such commodity by or on account of the producer thereof.

(b) It shall be the duty of every purchaser of any such commodity to tender, and of every producer (or the person making the sale on his account) to accept, as a part of the purchase price an amount of scrip, prepared and offered for sale as provided in section 304, equal to the total equalization fee to be paid upon such sale. If any such purchaser fails to make such tender, it shall be the duty of such producer or person to demand such scrip. Such scrip shall be evidence of a beneficial interest in the equalization fund for the commodity, and the holder shall be entitled to the dividends declared therefrom, as provided in section 305.

(c) Any person who fails or refuses to tender or to accept or demand scrip in violation of subdivision (b) shall be liable for the equalization fee and to a penalty equal to one-half the amount of such fee. Such fee and penalty may be recovered together in a civil suit brought by the corporation and shall be covered into the proper equalization fund of the corporation.

(d) In lieu of such scrip the corporation may provide for the filing, under oath, of monthly returns, in such form and under such regulations as it may prescribe, by purchasers and producers and for the payment of such equalization fees directly to the corporation.

PREPARATION AND ISSUANCE OF SCRIP.

SEC. 304. (a) For the payment of the equalization fee the corporation shall prepare and issue scrip in such form and denominations and subject to such terms and conditions as the corporation may prescribe.

(b) The Secretary of the Treasury, upon request of the corporation, is authorized to have such scrip prepared at the Bureau of Engraving and Printing, but the cost thereof shall be paid by the corporation.

(c) The corporation shall furnish to the Postmaster General, without prepayment, a suitable quantity of scrip to be distributed to and kept on sale by the various postmasters in the United States. The Postmaster General may require each such postmaster to give additional or increased bond as postmaster for the value of the scrip so furnished. The cost of such bond shall be paid by the corporation. Each such postmaster shall deposit the receipts from the sale of such scrip to the credit of the Postmaster General at such times and in such form as he may by regulation prescribe. The Postmaster General shall transfer to the corporation such part of such receipts as the corporation may from time to time demand.

(d) Any such postmaster may redeem, and refund the amount paid for, any such scrip not used, out of any money received from the sale of scrip.

EQUALIZATION FUND AND DIVIDENDS.

SEC. 305. (a) In accordance with regulations prescribed by the corporation there shall be established in the treasury of the corporation for each basic agricultural commodity and for each operation period an equalization fund, into which the receipts of all equalization fees for such operation period in respect of such commodity shall be deposited.

(b) From such fund there shall be disbursed—

(1) All operation expenses of the corporation in respect of such commodity attributable to such period; and

(2) All losses of the corporation from its transactions in respect of such commodity in foreign markets.

(c) At such time as the corporation deems advisable after the expiration of such period, a dividend shall be paid ratably to each holder of scrip from the balances remaining in such fund. Any moneys in such fund after the payment of such dividends shall be transferred to the treasury of the corporation, to be used for such purposes as the commission may direct.

(d) Such dividend shall be paid to the holder of such scrip upon presentation by him of such scrip to any postmaster within such time and subject to such regulations as the corporation may prescribe.

(e) The corporation shall make available to postmasters such money of the corporation in their custody and in the custody of the Postmaster General as may be necessary to pay any such dividends.

TITLE IV.—MISCELLANEOUS PROVISIONS.

ADJUSTMENT OF RATES OF DUTIES.

SEC. 401. (a) The President is authorized to direct the United States Tariff Commission or the Secretary of Agriculture to make investigations from time to time in order to carry out the provisions of this section, and to determine the rate of duty upon any agricultural commodity, or upon any derivative of or competitive substitute for such commodity, necessary to maintain, or to assist in maintaining, the domestic price of such commodity at the level of the ratio prices fixed therefor.

(b) Whenever a special emergency in respect of any agricultural commodity has been ascertained and proclaimed under section 22, the President may by proclamation, from time to time, declare the rate of duty so determined. On and after the thirtieth day after such proclamation and during the existence of such emergency, such rate of duty shall be levied, collected, and paid (in lieu of, and in the same manner as, any rate of duty theretofore levied, collected, and paid) upon such commodity, derivative, or substitute imported from any foreign country into the United States or into any of its possessions (except the Philippine Islands, the Virgin Islands, and the islands of Guam and Tutuila).

(c) In making any such investigation, the Tariff Commission or the Secretary of Agriculture (as the case may be) shall give reasonable public notice of its hearings and reasonable opportunity to parties interested to be present, to produce evidence, and to be heard (including the right of cross-examination), may adopt reasonable procedure, rules, and regulations, and exercise any of the powers conferred by law on the Tariff Commission.

INFORMATION FOR PRODUCERS.

SEC. 402. The commission, and after the termination of its existence, the Secretary of Agriculture, is hereby authorized and directed (a) to collect and disseminate information concerning supply and demand for agricultural commodities throughout the world, including the conditions affecting such commodities, and (b) to advise producers (with a view to the proper adjustment of production to accord with probable consumption) as to acreage or quantities that it may appear wise to produce.

COOPERATION WITH EXECUTIVE DEPARTMENT.

SEC. 403. (a) Any Government establishment in the Executive branch of the Government is authorized to act as agent of the commission or the corporation in the administration of functions vested in them by this act. The commission and the corporation may, in cooperation with any such Government establishment, avail themselves of the services and facilities of such Government establishment in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such Government establishment to furnish the commission with such information and data pertaining to the functions of the commission or the corporation as may be contained in the records of such Government establishment. The order of the President may provide such limitations as to the use of the information and data as he deems desirable.

(c) The commission and the corporation may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

SEC. 404. The Secretary of the Treasury, at the request of the commission, is authorized to detail such persons from the Secret Service Division of the Treasury Department notwithstanding any limitation of law in respect thereof, for such purposes as the commission deems necessary and appropriate for the efficient administration of this act.

PENALTIES.

SEC. 405. (a) That any person who knowingly (1) forges, counterfeits, alters, or falsely makes any scrip, bond, coupon, or other paper or document of the corporation, or (2) uses, attempts to use, possesses, obtains, accepts, or receives any forged, counterfeited, altered, or falsely made scrip, bond, coupon, or other paper or document purporting to be issued by the corporation, knowing it to be forged counterfeited, altered, or falsely made, or to have been procured by any false claim or statement, or to have been otherwise procured by fraud or unlawfully obtained; or who, except under the direction of the Secretary of the Treasury or other proper officer, knowingly (3) engraves, sells, brings into the United States, or has in his control or possession any plate in the likeness of a plate designed for the printing of any scrip, bond, coupon, or other paper or document of the corporation, (4) makes any print, photograph, or impression in the likeness of any scrip, bond, coupon, or other paper or document of the corporation, or (5) has in his possession a distinctive paper which has been adopted by the corporation for the printing of any scrip, bond, coupon, or other paper or document of the corporation shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than five years, or both.

(b) No person acting either as voluntary or paid agent or employee of the United States in any capacity whatsoever under this act shall solicit, induce, or attempt to induce any person or officer authorized to execute or direct the execution of contracts hereunder, or to contract or give any order for the furnishing of labor, services, material, supplies, or property of any kind or character, if such agent or employee has any pecuniary interest in such contract or order, or if any firm or association of which he is a member, or any corporation of which he is a stockholder, or in the pecuniary profits of which he is directly or indirectly interested, shall be a party thereto. Any person violating the provisions of this subdivision shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than five years, or both.

(c) All laws relating to embezzlement, conversion, improper handling, redemption, use, or disposal of moneys of the United States shall apply to equalization fees and other moneys of the corporation while in the custody of any officer, employee, or agent of the United States, or of the corporation.

SEPARABILITY OF PROVISIONS.

SEC. 406. If any provision of this act is declared unconstitutional, or the applicability thereof to any person or circumstances is held invalid, the validity of the remainder of the act and the applicability thereof to other persons and circumstances shall not be affected thereby.

RESERVATION OF RIGHT TO AMEND.

SEC. 407. The Congress of the United States reserves the right to alter, amend, or repeal the provisions of this act.

Senator LADD. From a memorandum that Senator Norris handed me, the first one to be heard is Senator Herbert F. Baker, president of the farmers' organizations of Michigan.

STATEMENT OF MR. HERBERT F. BAKER, PRESIDENT FARMERS' NATIONAL COUNCIL, MEMBER SUPREME COUNCIL OF THE NATIONAL GLEANERS' FEDERATION, WEADOCK, MICH.

Senator LADD. Mr. Baker, will you give your name and address?

Mr. BAKER. Herbert F. Baker, Sheboygan, Mich. I am a real dirt farmer. I am not one of those agriculturists, you know. I am a real dirt farmer.

Senator SMITH. You milk cows and saw wood?

Mr. BAKER. Yes. I can beat Magnus Johnson milking cows and also the Secretary of Agriculture, because I am in constant practice in the matter, you know.

I have the honor to be a member of the Supreme Council of the National Order of Gleaners, a farmers' organization that has its principal membership in the State of Michigan. It is organized, however, also in the States of Ohio, Indiana, and Illinois, and in a smaller way in Iowa and Pennsylvania. It has a membership of approximately 85,000.

I have been for 20 years connected with the grain movement in Michigan. I would like, in the first place, to emphasize, if possible, the condition of agriculture in my State. I think it is much the same there as it is in other States. I am, however, more particularly advised of the situation in Michigan than in any other State, because I have spent all of my life there, and I have witnessed these rises and falls with regard to agriculture, and, incidentally, with regard to industry.

I note the other day that a report from somebody in authority here in Washington indicated that our man Ford manufactured 52 per cent of all the automobiles and trucks made in the United States. While we people in Michigan regard that with satisfaction, the men who are engaged in agriculture have found it one of their chief obstacles when it came to employing farm labor that farm labor has been drawn from the agricultural districts of the State by the greater remuneration that Ford and like men of industrial concerns are able to offer. We have reached a stage in the State of Michigan that, according to the State department of agriculture—and I specially invite the attention of the members of the committee to the fact that this is not a statement that emanates from long-haired men and short-haired women, but comes from the department of agriculture of the State—that in the past two years, part of 1921 included, the number of abandoned farms in Michigan has risen to the alarming figure of 23,000, or approximately 10 per cent of the farms in Michigan.

Senator CAPPER. That is the State agricultural department figures?

Mr. BAKER. The figures of the State department of agriculture. I understand that illustrates the situation imperfectly.

Senator RALSTON. May I inquire right in that connection now, in what sense have they been abandoned?

Mr. BAKER. They have been abandoned in the sense that the house on the farm stands empty and the fields are growing weeds. Is that abandoned sufficiently?

Senator SMITH. That is abandoned.

Mr. BAKER. That is abandoned; yes. That is absolutely abandoned. That, however, imperfectly illustrates the situation, because of the fact that there are anywhere from two to three times that number of farms where the abandonment is practical but not actual.

Ford and the other manufacturing interests of the State have been able to offer, particularly to the younger men and in a less degree to older men, employment at wages that makes it impracticable for those men to stay upon the farms.

Figures of the increased mortgage indebtedness of the State I am unable to give, but I think it is generally the concensus of opinion that it has been very largely increased all over this country in the last three years; and the remarkable decline in the value of agricultural products and agricultural lands has had a very depressing influence upon agriculture. It has come to be understood that there must be something wrong either with a man's mental processes or there must be something especially alluring in his surroundings to keep the average man on the farm at the present time. That is no idle talk, because as early as the 1st of January, 1922, the teacher of the class in applied Christianity in one of our churches in my section of the country that I grace with my presence on an average of once in five years made this statement, based upon a report of the Secretary of Agriculture of the United States:

> Secretary Wallace says (January 1, 1923) farm values fell $13,000,000,000 from January 1, 1920, to March 1, 1922. At that date the dollar that the farmer got bought 63 cents, as compared with a hundred in pre-war times.

I just offer this as evidence of how thorough has been the operation of the program of deflation as it touches us. Thirteen billions of actual loss in the value of the land! And I think it is a matter that is entirely within the knowledge of every member of the committee what has been the deflation in the price received at the farm of all farm products.

I conduct a general farming business, but we do not find it profitable in my section of the State to grow wheat. We don't find it profitable in my section of the State to grow corn with its attendant industries, raising hogs and cattle. We do manage, however, to do some business in sheep.

I had the oportunity in 1920 to sell my rye for $2.80 a bushel, and sold my wheat at practically the same price. We raised some wheat under the spur of patriotism during the war. I never have raised corn to sell. I frequently have to buy it, and I have paid better than $2 a bushel—about $2.30, I think, is the highest for corn.

I had an opportunity to sell the last crop of wheat I raised, and the last one I expect to raise, last fall at 75 cents a bushel. I had an opportunity to sell my rye at 50 cents a bushel. We have an opportunity frequently—not all the time—to sell dressed hogs, and that is because our production is materially less than the consumption in our territory, for from 8 to 12 cents. Our poultry prices have declined fully 50 per cent in the last 90 days. The Department of Agriculture very kindly came along and about the time fellows were talking of buying Christmas, New Year's, and Tranksgiving turkeys indicated that there was an enormous number of turkeys in cold storage to be put upon the market—very valuable information to

the man who had turkeys to sell, in that it reduced the net income on the turkey product at least 50 per cent right off the bat.

Senator KENDRICK. That suggestion was more valuable to the man who wanted to buy.

Mr. BAKER. I don't know how it did work out to the man who bought, because none of the farmers buy turkeys. They generally raise them, and those that don't raise them are not sufficiently flush financially to go out and buy them at the price they ask for them in my territory.

Senator GOODING. There is not much relation between what the farmer sells for and what the people pay who buy the turkeys anyhow, is there?

Mr. BAKER. We think none.

Senator GOODING. I think we are paying a dollar a pound for lamb chops at my house—something less than a dollar a pound.

Mr. BAKER. I live in that part of the State of Michigan near the old fort at Mackinaw that was built there a couple of hundred years ago to protect the whites from the Indians, when it was still open as a military post—I am close enough to that point so I can run over from my farm in the morning and back in the evening. That territory has developed very greatly as a resort region. The result of that development has been to repeal the law of supply and demand in its broadest application. There are times when it is possible for the producer of chickens, eggs, garden products, lamb chops, Senator, and delicacies of that kind to receive a fair price for them. I have had the chance within the last year to sell dressed lamb—not sheep, but lamb—for 25 cents a pound at the local market, which was regarded as an especially favorable price and temporary in its character. When the resorters went the demand for lamb chops went, and the special demand for chickens, eggs, and garden products went with them.

It is really illuminating and it is distressing to the man who has an agricultural viewpoint, to witness the depression among the farmers in my section of the country, in spite of the fact that we have an especially good market during the resort season. Last year—and conditions were no worse then than they are now—in some of the townships of the county in which I live the local treasurer, that collects the taxes in Michigan by townships, returned as high as 60 per cent of the real estate taxes that were levied in that year. I live in, perhaps, one of the most prosperious townships in Sheboygan County, and up to 25 per cent of the real estate taxes levied in that territory were returned.

Senator KENDRICK. Your statement that those taxes were returned means that they were unpaid?

Mr. BAKER. That is it. They were returned to the county treasurer to collect them. You have a year to pay, and then they are returned to the auditor general, and if they are not paid in three years the land is advertised for sale, and I was about to say that every year the auditor general of the State of Michigan sends for publication and publishes in the county a list of the descriptions of the land in my county as long as the moral law.

Sentaor KENDRICK. And what percentage did you say had been unpaid in your township?

Mr. BAKER. In my own township about 25 per cent. That does not mean that 25 per cent of it goes to sale. It means that the fellow is not in position to take advantage of the 1 per cent or 4 per cent that the township treasurer will charge in certain times of the year. That is, up to the 1st day of July, 1 per cent, and 4 per cent if it is returned to the county treasurer. You will pay 5 per cent if you go in the next morning, and 1 per cent additional each month you leave it.

Senator KENDRICK. It means they are delinquent when they actually become due?

Mr. BAKER. Yes. Not only that, but during the period of time from the 10th to the 15th day of March they remain unpaid.

Senator CAPPER. Referring to this amount of unpaid taxes, is the amount now higher than it has ever been before?

Mr. BAKER. Higher than it has ever been before, a greater percentage of farm tax left unpaid. That is not a condition that is confined to the northern part of the State. I presume your knowledge of the geography of Michigan would indicate to you that the northern part of the Lower Peninsula of Michigan is the least desirable of the two halves of the lower peninsula. For instance, in my section of the State we have large areas of what we call plains lands—lands upon which timber at one stage of the game was grown—and for agricultural purposes that land is of very questionable value, while if you go down to the counties along Senator Ralston's State and inquire down there it will be very difficult to find in any of those counties, if you eliminate those along the border of the lakes, more than 2 per cent of the land that is now valuable for agricultural purposes. That condition, however, in regard to the inability of the men who are engaged in agriculture to pay their taxes, is absolutely due to the condition that the farmer finds himself in and partly due to the excessive rate of taxation by which we are confronted from every angle at the present time.

Senator RALSTON. To what extent may your taxes be assigned to excessive improvements?

Mr. BAKER. Well, I should say to a very limited extent. There have been within the last two or three years—I would not be justified in saying no improvements, but there have been scarcely any improvements on farm property; that is, in buildings and such things.

Senator RALSTON. Taxes have gone up?

Mr. BAKER. Taxes have gone up.

Senator GOODING. How about the improvement of highways?

Mr. BAKER. That accounts for 25 or 30 per cent—the State taxes.

Senator RALSTON. Has your land been appraised higher?

Mr. BAKER. Our land has been appraised higher. We are in this situation——

Senator RALSTON. Those improvements led to the additional appraisement of your land?

Mr. BAKER. Well, it is to be accounted for very largely in the lack of organization and in the lack of coordinated and cohesive action on the part of the farmers to protect themselves. The first real old scrapper in the United States, from my point of view, was our old Governor Pingree, who was governor in 1898. Governor Pingree

inaugurated in Michigan a program of what he called equal taxation. The railroads at that time, and other public utility corporations, were enabled to get by on the question of taxation by paying a certain percentage of their gross income. He inaugurated a campaign to tax those properties upon their valuation, the same as other properties are taxed, through a State board. The law provided that the average rate of taxation on all other forms of property should be levied against the valuation that this State board fixed upon the properties of these public service corporations. Obviously the higher the valuation of farm property and of other properties, real properties, the lower their income, so immediately they started this agitation, no agitation in the open, at least, on the part of these corporations to see that the other forms of property were assessed at the very high valuation, making the aggregate assessed valuation of other forms of property so great that when you divided the taxes that were levied for all purposes by that as a divisor, the rate that was to be paid by the railroads being fixed thereby was materially reduced. We have had a State tax commission that fixes the value of every piece of property in the State these last 5 or 6 years, to cover all of the property, it is safe to say, of every description, and their influence upon the valuation of farm property and the other properties of the State has been to very materially increase the assessed valuation of the property of the State in the aggregate.

Senator KENDRICK. Mr. Baker, is it true that this condition applies, that the assessed valuation of the farm property as applied, say, two years ago is very much in excess of the actual value of the property to-day?

Mr. BAKER. In very many cases. It would not be safe to say that it was true generally, but it is a matter of common knowledge in the State of Michigan that a large proportion of the farm property in that State could not be sold for the amount for which it is assessed.

Senator KENDRICK. I think that is almost the rule in my own State of Wyoming.

Senator GOODING. We had inflation during the war, of course, and considerable property movement at fair values at that time.

Mr. BAKER. Yes.

Senator GOODING. And in my State land values and assessments were materially increased, and then they are practically held, with very little reduction, at war prices, although you can not sell them for half what you could in 1921, say.

Mr. BAKER. Well, have they gotten to the point where they can not sell at half what they are assessed?

Senator GOODING. Yes. In one county in my State the farm mortgage indebtedness, together with the bonded indebtedness of the county, is twice the taxable valuation of the entire county, and the county could not be sold for the amount of their assessment. So you are in pretty good shape in Michigan.

Mr. BAKER. That is the general condition, I think, that prevails all over the United States, and that is one of the things that is worrying the farmers of the United States.

Senator SMITH. Mr. Baker, you were speaking of the valuation of land increasing.

Mr. BAKER. The assessed valuation.

Senator SMITH. The assessment valuation, its valuation as a basis for taxation?

Mr. BAKER. Yes.

Senator SMITH. Have you figures to show the cost of State government, including county and township, as compared with former years?

Mr. BAKER. I have nothing with me.

Senator SMITH. The cost of Government has increased tremendously.

Mr. BAKER. Very materially.

Senator SMITH. Therefore in order to meet the increased expenditures they had to raise the levy.

Mr. BAKER. Sure. We understand the process by which they were raised, but we are the goats, and that is the point.

Senator SMITH. That is exactly the point I am getting at now.

Mr. BAKER. Yes.

Senator SMITH. The value of the land, as I say, based on the profits that may be obtained, is practically no greater than it was previous to the war, but taxes have increased tremendously; therefore the levy had to be increased.

Mr. BAKER. Obviously.

Senator SMITH. Now, the assessed valuation of our property has not been very greatly increased, but the mills of levy on the property have gone to where it is a question in my State right now how to reduce.

Mr. BAKER. May I inquire what State you are from?

Senator SMITH. South Carolina. They have a commission now which is endeavoring to find some plan under our constitution, which requires that the basis of all taxes shall be equal, by which they can get the intangible property as well as the tangible, so as to equalize, as far as may be, the burden of taxation, but it is obvious to everyone that real estate can not be suppressed; therefore it comes in for a major share of taxation; and a major part of it being agricultural land, they pay the major part of the taxes without any way in the world of charging up that increase of taxes to the purchasers of farm products. In other words, the farmer pays the freight.

Mr. BAKER. He is the goat.

Senator SMITH. He is the goat in every case.

Mr. BAKER. I think those who have given any consideration to the subject will agree upon that point.

Senator NORBECK. Mr. Baker, I am much interested in what you say of the situation in Michigan. Just for the information of the committee, I would like to get some idea as to how those taxes are divided between State and county, township and school taxes.

Mr. BAKER. Well, there is not any law in the State of Michigan that limits taxes for any purpose.

Senator NORBECK. Has the increase been larger in State taxes, for instance, than in local school taxes?

Mr. BAKER. Has the increase been greater?

Senator NORBECK. Yes.

Mr. BAKER. I should think the percentage is practically the same.

Senator NORBECK. Is it your opinion that these high taxes are largely a reflection of the higher cost of everything—higher wages, higher salaries, and higher material prices—and that it is inevitable?

Mr. BAKER. I would say those should be given consideration, but I would not regard them as determining factors.

Senator NORBECK. My attention was called in my State to a complaint that the school taxes are three times as high as they were two years ago, to which the school board replied, "It costs three times as much to have nine months of school, so what can we do about it?"

Mr. BAKER. That is the difficulty, I think, all over the country, in your State, or wherever it may be.

Senator KENDRICK. Mr. Chairman, the witness is making a tremendously interesting statement, and I wonder if it would not be better for us to allow him to proceed and then discuss with him the different questions that we think are important after he completes his statement.

Senator LADD. If the committee thinks so, I think it would be well for Mr. Baker to go along with this discussion, and we can ask him questions at the end.

Mr. BAKER. I should like, while I have it in mind, to reply to Senator Norbeck. What was your observation, Senator?

Senator NORBECK. The argument is made that high taxes are in many cases simply a reflection of the general situation of high price levels.

Mr. BAKER. Well, I thing we might include with that the general demand for more service on the part of government generally. I wish, however, in that connection to make this statement. I am myself convinced that the American people are on a spree, and have been, in spending. One of the chief factors for promoting, furnishing the booze, we might say, for that spree has been the exemption of securities from taxation. We would not have been able in my local school district to have built a schoolhouse in 1914, which we did at a cost of $3,500, a township school, if we had not been able to issue bonds, and we would not have been able to have sold those bonds if they had not been tax exempt.

Senator GOODING. Could you have gotten along with your old schoolhouse, do you think?

Mr. BAKER. Some thought we could. If the bonds we issued in Sheboygan County, township of Monroe, had been subject to the general level of taxation for that section of the State—the bonds were sold at 6 per cent—it would have been necessary in order to have marketed those bonds for them to have drawn interest at about 9 to 10 per cent. Now, that might have worked some hardship on some of those who were desirous of having a new schoolhouse. Yet if those bonds had been taxes as other properties were taxed they never would have been issued.

Senator NORBECK. Did you find a marketfor those bonds in your home State?

Mr. BAKER. Very promptly right in the district. The bonds would not have been issued, but they would have gone on a safer plan of creating a sinking fund before the bonds were issued, building up a fund from which the school house might have been built. I think that is a more desirable plan for the public to follow generally. It is a staggering load, the interest that municipalities of all kinds are paying at the present time. I am impressed with the idea that if they were subjected to taxation, that that flood of securities that is going out to the public every day now would be very materially decreased, and to the final benefit of everybody concerned.

Senator GOODING. Credits can be too easy, then, you think, Mr. Baker?

Mr. BAKER. That is true. From what State are you Senator?

Senator GOODING. I am from Idaho.

Mr. BAKER. Well, the trouble has been in Idaho, as it has been in South Dakota and other States, that credit has been too easy, and the fact that your county would not sell for its bonded indebtedness is due to the fact that the indebtedness for which you are holding has been very easily obtained.

Senator GOODING. That is one of the counties in my State, not my own county. My county is not that bad off

Senator KENDRICK. I have never before heard of tax exempt securities being compared with booze, but I think the term is very well applied.

Mr. BAKER. They are the booze that produces the spending spree.

Senator KENDRICK. The booze on which the public are continuing an already too long prolonged debauch.

Senator NORBECK. But what is the remedy, Mr. Baker?

Mr. BAKER. The remedy, so far as this volume of public indebtedness is concerned, is to be achieved with one stroke, in my judgment, by removing the tax exempt privilege of bonds.

Senator NORBECK. By Congress?

Mr. BAKER. So far as your authority goes.

Senator NORBECK. Your bonds were sold before the passage of the income tax act, therefore it does not appliy to your bonds, which were issued in 1914?

Mr. BAKER. No.

Senator NORBECK. There were no tax exempt features except by your own State, so far as that goes.

Mr. BAKER. The State exempts them absolutely. They are only subject to the Federal income tax provision, and in the agricultural district there are not a great many people at this time, from my own personal observation, who are worrying a great deal about whether Mellon's plan goes through or does not go through. They are not worrying about that feature at all.

Senator NORBECK. It won't make much difference to them, you think?

Mr. BAKER. No; it won't save them a dollar, or affect them in any other way, except the general observation that they think it would be better. I think I am safe in saying that the farmers in the State of Michigan think it would be better if the obvious advantage that is given to the men of tremandous wealth under the Mellon plan was modified somewhat in favor of those who are nearer the ground.

Now so much for what we have said with regard to conditions as affecting agriculture, as it has come under my observation. Then we come to what might possibly be considered as remedial legislation. There is a growing number of people in agricultural circles who do not take their religion right directly from the preacher nor do not take their politics right directly from the local boss. I presume that we are no different in that particular than the people of other States. The State of Michigan in the past has been represented in Congress

by men whose hearing seemed to be acute in the presence of great interests, and who were deaf, dumb, and blind to a sense at all times except immediately preceding an election to men who are nearer the ground. There have been evidences on the part of the State of Michigan to the fact that these people are capable of being awakened. There was a time, along 20 or 25 years ago, when the balance of power between the Republican and Democratic Parties of that State was very even. Governor Luce was elected in eighty something by 40,000 majority. Governor Alger, who was afterwards Secretary of War, was elected in my State by a majority of less than 3,000. We have had since that date, or we had just at that time, one Democratic governor. We regard the election of a Democrat to any office in Michigan as a protest vote to conditions that obtain in the Republican Party. And we went on up the scale. Governor Pingree was elected, although some of our friends there were very dubious about his candidacy for fear that he was too radical, and there are people, you know, who regard a man who is opposed to stealing as a radical. Governor Pingree was elected by 80,000 majority. McKinley carried the State by 60,000. I am not sure I have the exact figures, but it was about that. We have had Republican majorities in Michigan exceeding 200,000. The opposition—and we speak of the Democratic Party as the opposition in Michigan—has been negligible.

I have sat in the Michigan Legislature when there were 132 Republicans (and that is the entire membership of both the house and the senate), and still with this tremendous advantage the Republican organization has in the State we have had a Democrat since 1917 for four years. With the people of Michigan it is impossible at the present time to put over so much or so raw stuff as it was possible to put over in times that have passed. Our Senator who was elected in 1916, I guess—it is immaterial as far as that is concerned, because I can make it more plain to you by saying Senator Newberry—the methods by which he sought election in the State of Michigan did not appeal to the men who lived on the farms, small business men and residents of the cities who, as I said before, do not take their religion directly from the preacher or their politics directly from the boss. Senator Newberry received a majority of approximately 3,000 in the State of Michigan when the State officers were elected by 175,000. A disregard on the part of some of our Representatives in Congress, particularly in the Senate, has resulted in that rock-ribbed Republican State, beside which Idaho is erratic, and Iowa erratic and Indiana particularly erratic, sending a Democratic United States Senator here.

Those cases are simply referred to as evidences of the fact that the people there are in a state of mind that has been produced by the conditions which I have attempted to outline. What may happen in the future depends very largely upon the wisdom with which Congress attacks the situation or approaches the situation of agricultural relief. There have been those in Michigan, as there have been in your States, probably, who wanted the United States Government to fix prices. It is felt that the security of the wheat grower during the war was a wonderful thing. I could have sold a crop of wheat and be sure I would not get less than $2 a bushel. When

that guaranty was removed there was a sort of a general feeling, a sensation that came to them through their fingers rather than through their heads, that they had lost something, and they would be very much pleased to have that something restored to them. On sober thought, however, I think there are very few people in Michigan at the present time who are in favor of any price-fixing program, believing that any program of that kind would defeat its own purpose.

We are suffering at the present time—and I say we, because I am speaking of men in agriculture generally—taking the wheat grower, on account of having been able to produce a surplus of wheat. We grow too much wheat, in one sense, market requirements being considered. I think it is an economic certainty that there never has been too much wheat produced. Market conditions, however, arise that make our six hundred million or eight hundred million bushels of wheat too much for local consumption. The surplus, as an ecnomic factor, governs the price of the whole crop. If we had a wheat crop in the United States that would be somewhat short of local consumption—that is, consumption by our own people—and had a tariff on wheat that would be sufficiently stiff and severe to be comparable to that which certain manufacturing interests of the country have induced the Congress of the United States to apply to their products, it is entirely possible that the price of wheat would be more satisfactory. I am one of those who feel that when the Congress of the United States offers us our part of protection by placing a tariff upon wheat, in its national application it is a joke. Possibly right along the line, where Senator Frazier comes from, and Senator Ladd, there is an import and probably there, with regard to that certain kind of wheat which the Almighty has reserved for that country to grow, the thing might be applicable, but to the whole of the United States, with a surplus of 160,000,000 to 200,000,000 bushels which must reach a market in foreign countries, it would seem to me obviously a joke. There are those who are unkind enough to think that that joke was handed to the agricultural classes in a marked spirit of levity. I do not believe anything is to be gained by the farmers of this country through the processes and program of protective tariff legislation. Those things of which we produce so little that we can not supply the local demand necessarily take care of the situation themselves, because they are always in a bear market. Not always, but the observation is based upon general conditions. If the tariff fails us we must necessarily resort to other means.

Senator GOODING. Did I understand you to say that you did not think the farmers get any benefit out of the tariff?

Mr. BAKER. I say the tariff on wheat, with 150,000,000 or 200,000,000 bushels surplus that must be marketed in foreign lands, in the lands of the world, is a joke.

Senator GOODING. Did I understand you to say you did not think it was of any benefit to the farmers?

Mr. BAKER. If I gave you that understanding I am perhaps misleading you by that. I think that would be true, however, if it is stated as a direct tariff upon his product. It is very questionable in my mind. We have indirect benefits that come to us from the tariff. For instance, in my State, Senator Gooding, we have a beet sugar in-

dustry and a certain section of the State of Michigan is given almost exclusively over to the sugar industry, and I do not believe that that sugar industry could survive in the State of Michigan if it were not for the tariff on sugar.

Speaking of that locality as I did, of Senator Ladd's hard wheat territory in North Dakota, it has application and brings direct benefit to the people included in that industry.

Senator GOODING. Does not the fact that we have got a tariff on the same kind of wheat of which there is a shortage in the United States as that grown in the Northwest country aid those farmers that are growing that kind of wheat?

Mr. BAKER. Why, surely. I hope in my statement I made that clear. I was speaking of those things of which there is not a sufficient production to supply the demand, but generally it does not benefit the farmer. Speaking of potatoes, there is a very small quarter where a man can stand and throw a stone halfway across to the King's Dominion where at times in cycles of 5 to 10 or 15 years a tariff on potatoes has an application to certain sections of the State of Michigan, because it is possible sometimes for them to import potatoes into the city of Detroit, and they are always high when the importation takes place, but the levy of a duty upon them as they come across from Canada has a tendency to make them still higher. and I have yet to hear of any farmers of Michigan who raise potatoes raise any objection to that tariff, or its result. I imagine that that has a general application as to all products, if the price is raised by the imposition of a tax.

But one of the great obstacles that confronts the farmer at the present time is his inefficient system of marketing. My section of the State is one of the principal potato-producing sections of the United States. We have been second, or we were second at one time within the last three or four years, in the aggregate production of potatoes of all the States in the United States. We produced at that time 39,000,000 bushels, and the marketing proposition with regard to that is applicable to the marketing situation with regard to other things. The farmer, by reason of his economic condition, is compelled, in a sense, to dump his crop. There is no provision with which I am acquainted in the laws of the United States or in the laws of the States upon which a process of orderly marketing can be based. As I have stated, his economic condition and situation is such that he finds it necessary to move his crop very promptly, and the dumping process is the process by which he finds himself eternally in the situation of asking some one what they will give. There is not a man in the world who is old enough or who has from his forefathers received information on the subject who would say that there ever was a time when, with regard to farm products of any importance, it was possible for the farmer to set his price, and that is to be accounted for in the fact that farmers as a whole are not sufficiently organized nor can they be sufficiently organized to act as an individual. There are a great number of people in the State of Michigan who make this illustration: Henry Ford fixes the price of his tin Lizzie at $340 at the factory in Detroit. The price is entirely up to Henry, because he is in control of the supply, and if the demand increases he has the facilities with which to increase the output, and if the demand slackens he has control of the situation and he can reduce the output. No man in the United States can get any discount. I do not think he would even consider a $2 discount to Senator Gooding if he were to come there and ask him the price.

Senator GOODING. Cash is not an object to Henry.

Mr. BAKER. Not a bit; and there are some fellows in New York who found that out three or four years ago.

Senator RALSTON. I do not get your answer there.

Mr. BAKER. There are some interests in New York and other financial sections who became convinced three or four years ago that ready cash was not anything to Henry. He has been able to finance himself. That illustration is illuminating with regard to the farmers' problem.

Senator GOODING. That is where you want to put the farmer, is it not, just in the position of Henry?

Mr. BAKER. Well, I do not want to say that.

Senator GOODING. Henry is master over the product of his own labor and of his investment, and all those things?

Mr. BAKER. Yes, sir.

Senator GOODING. Don't you think the farmer ought to get there?

Mr. BAKER. I do,

Senator GOODING. So do I.

Mr. BAKER. Most assuredly, I think he ought to get there.

I presume I am trespassing upon your time at this time, but the fact of the matter is that while most of the ills of which the farmer complains will be remedied by himself, there must be some central controlling power to make it to his benefit to proceed along proper lines in marketing. The theory of your United States Department of Agriculture and the theory of the State department of agriculture has been to ignore the marketing end of the farmer's problem and to talk to him about making two blades of grass to grow where one has grown before; and his experience has taught him that he has got less for the two than he would have got if they had left him alone and let him grow one.

The problem as it appeals to me and as it appeals to our people up there is that some step should be taken to stabilize the prices of farm products, and we may reason from cause to effect with regard to that matter. What is it that increases the price of eggs in the winter over the price of eggs in the summer? It is because less of them are available for marketing. The price of wool will go up in this country if there is an excessive demand and a limited supply.

Senator GOODING. Well, now, is that true with regard to eggs?

Mr. BAKER. Well, it is true with regard to what might be called fresh eggs. Of course their system of storage puts us in position where——

Senator GOODING (interposing). The fact is that there are more eggs available for the market in the wintertime, when they are in the hands of the man who has cold-storage facilities, than any other time of the year. There are less in the spring of the year before they commence storing them. There is a summer supply, the big end of the summer supply, at the beginning of the winter, but they are not in the hands of the farmer.

Mr. BAKER. But you can go into the city of Detroit to-day and buy cold-storage eggs for 30 per cent of what you can buy a fresh egg. And why is the fresh egg higher in January than it is in July? Because of the restricted output. The hens are not working so hard in the winter.

Senator GOODING. There is not that spread between the fresh-laid egg in Washington here and the cold-storage egg. They are all fresh here.

Mr. BAKER. They probably assume that you fellows here are glad to take anything you can get.

Senator GOODING. Well, I guess we are.

Mr. BAKER. But when you have a rise in the price of any farm product there are no outside influences aside from the speculators on the board of trade that are interested in the question as to whether the price of wheat goes up or goes down, and their interest is local. Their interest is of short duration. They buy wheat on the price that would be of the 1st of May, and of course they are not interested in it beyond the time that their contract calls for.

Senator RALSTON. In that connection, Mr. Baker, to what do you ascribe the fall in the price of wheat, particularly. To what influence do you attribute it setting in so soon after you got 30 cents per bushel tariff?

Mr. BAKER. Well, I think I have made myself clear on that subject. I don't think the tariff had anything to do with it.

Senator RALSTON. I understood you that way first, then in your second answer I got a different impression. I just wanted to be clear about it.

Mr. BAKER. In Senator Ladd's territory and Senator Frazier's territory, up there in the Northwest, they raise a kind of wheat that can not be raised in the State of Indiana and in the State of Michigan. Our millers, however, have to have a certain percentage of that wheat in order to mill winter wheat, or soft spring wheat, and there is an extraordinary demand for that hard wheat up there in proportion to its supply. Part of it is grown in Canada. If our fellows can keep the Canadian fellows from shipping in, the other fellows will have to bid up or they can not get it, and they have an advantage which is produced artificially by the tariff. But take it in your State of Indiana—you won't find a man down there in the State of Indiana who is alive and well who will tell you that the tariff on wheat does him any good.

Senator RALSTON. To what extent are you benefited?

Mr. BAKER. In my country?

Senator RALSTON. Or Senator Ladd's country.

Mr. BAKER. I don't know, but I rather imagine to a small per cent.

Senator RALSTON. What proportion of your wheat growers are hard-wheat growers?

Senator LADD. They are all hard-wheat growers. There are no soft-wheat growers, no winter wheat, but we have a durum wheat, and that constitutes about 25 per cent.

Mr. BAKER. I had that impression, but I did not remember. About 25 per cent of the wheat crop in North Dakota is that wheat which, if you pick it up and bite it, it is comparable to rice.

Senator LADD. It is used for making macaroni and spagetti.

Mr. BAKER. What was your question, Senator Ralston?

Senator RALSTON. Leaving the tariff for a minute, to what do you attribute the low price of wheat?

Mr. BAKER. Well, I have a cause in my mind to which I attribute the general decline in farm prices. For instance this card here says that the Secretary of Agriculture stated on the 1st of January, 1923, that there has been a decline in the price of real estate in the United States that aggregated $13,000,000,000, one-half of the cost of the World War—that is, our part of it. Now then, it says that the purchasing power of the dollar was 33 per cent below what it was in 1914. Now, I am not one of those who will ascribe that to an act of God.

Senator RALSTON. That is what I am trying to find out. Now you have eliminated God and the tariff. What next?

Mr. BAKER. After we have eliminated the tariff and the Almighty, I attribute it to the deliberate policy of deflation that was entered upon in 1920.

Senator RALSTON. When did that begin to show its effect upon the farmers in your section?

Mr. BAKER. The last of 1920 and in 1921.

Senator SMITH. Mr. Baker, to what do you attribute the radical difference in the effect of deflation on farm products and other products? Farm products, of course, have gone down very much below other products. To what do you attribute that?

Mr. BAKER. If you will be a little more specific in your question, Senator, I will try to answer it.

Senator SMITH. In other words, farm products have decreased.

Mr. BAKER. Our wheat, for instance—wheat and hogs.

Senator SMITH. Wheat and hogs?

Mr. BAKER. And cotton.

Senator SMITH. They have gone down out of all proportion to the manipulated price of manufactured products of those very things.

Mr. BAKER. I ascribe that to the tariff. You know before the war, in 1914, the Secretary of Agriculture says the farmer's dollar bought a hundred cents worth of goods. On the 1st of January, 1923, the products that a man had that would bring a hundred cents in 1923, when he got it, would only buy 64 cents worth. The farmer by reason of his being a producer of the requirements of the nation absolutely stands naked in the presence of the tariff, excepting Senator Ladd's rice growers up there.

Senator GOODING. Don't you think they helped the sugar grower?

Mr. BAKER. It helped our wheat growers.

Senator GOODING. And the wool growers?

Mr. BAKER. I am not so well satisfied about the wool growers. I sold my wool in 1922 for 19 cents a pound, and a man could have gotten into a physical encounter with me who came along and suggested to me at that time that the price had been artificially increased by the tariff.

Senator GOODING. But you do know that wool was on the free list and the country was flooded with wool, and nobody could sell wool at all, regardless of the tariff, or anything else, until that surplus was used up? You are selling it at 50 cents a pound now, are you not?

Mr. BAKER. Forty cents.

Senator GOODING. That is pretty good.

Mr. BAKER. That was a considerable increase over 12 cents. But don't forget, at the time we were selling wool at 12 cents a pound we were paying prices for wool products that were at least 100 per cent in advance of what they were in 1914, and for the benefit of those gentlemen who come from the South I want to observe that whatever application the tariff may have had to them, we are conscious of the fact that the 10-cent cotton sock we farmers used to buy before the war, three pair for a quarter, are selling now in my section of the country for 25 cents per pair, and our dollar only buys 63 cents' worth of them at that.

Senator GOODING. That is the reason that your dollar is only worth 63 cents, you know, because that is all you can buy with it.

Senator KENDRICK. I understood the witness was about to offer some suggestion here in the way of legislation.

Mr. BAKER. That is what I hope to do, and then I hope to go on my way rejoicing.

I had started to illustrate in my feeble way the fact that demand, even if it is artificially stimulated, tends to an increased price. Where I live in Michigan was one of the greatest lumber sections of the State, or of the United States, and it was a thing that was accepted as axiomatic, I might state, that when two bosses were looking for men and found one man his wages were likely to be satisfactory, but when two men were chasing one boss the situation was very materially different. I assume that to translate that into language that would express the present condition, it is a fact that if the demand for the wheat that is grown in the United States is increased, or its process of marketing was straightened out, or some of the parasites were pried off from the program, we might expect a more stable and better price for wheat; and my purpose in being here is to suggest to the Senate Committee on Agriculture that we think that the Norris-Sinclair bill offers a means by which that may be attained.

I do not care to enter into a discussion of the provisions of this measure, but that to have a Government corporation that will go into the market as an individual might go into the market, with the power to spend $600,000,000 in the purchase of wheat, it could not but have a bullish effect upon the market, and if there is anybody in all of the United States at the present time that needs the benefit of a bull movement in their behalf it is the men on the farms. I have heard of none of the manufacturing interests of this country complaining about the situation that exists at the present time. I have heard no roar from the railorads about the depressed conditions under which they are operating. The old defunct Pere Marquette system of Michigan that by the report of the railroad commission had an excess of $45,000,000 of water pumped into its system on which they hoped some time to pay dividends, under the Esch-Cummins law is paying dividends on the money that was put into it and on the water that was pumped into it. Its stock that was on the market as waste paper during my first experience in the legislature is now selling at fancy prices.

Senator GOODING. Have you thought out any situation which by legislation the farmers can be helped to organize? Have you given that matter any thought?

Mr. BAKER. Organization of farmers per se is admitted, by the men among the farmers who think, to be a failure.

Senator GOODING. I am talking about organizing for orderly marketing, you know.

Mr. BAKER. Well, that is what they are attempting to do. That is what we are attempting to do, but we foresee failure in that because of the lack of proper financing. The Norris-Sinclair proposition places at the disposal of those who would handle this marketing problem of the farmer an aggregate of about $700,000,000, and $700,000,000 to the ordinary man connected with the farm proposition, the agricultural proposition, in marketing efforts, looks like—well, it looks to them, I suppose, a good deal like Pike's Peak did to me when I first saw it.

Senator RALSTON. Mr. Baker, I don't want to suggest anything that is not workable, and I have not that in my mind. I have been very much interested in your whole story, and particularly in the last statement with reference to favors that have been shown to railroads, if they be favors, and I am not discussing that nor the situation with respect to manufacturers, but are you offering that as a suggestion as to why governmental and legislative favors, as I understand you, should be shown to the farmers? Now, what would be your impression if we were to go out of this favoring business entirely and let the different businesses stand on their own merit unaided by the Government beyond the protection that is given to them? What effect would that have on the farmers?

Mr. BAKER. You mean at this time to absolutely and positively abandon the protective-tariff idea?

Senator RALSTON. Not wholly. I don't mean that, but gradually lead that way.

Mr. BAKER. Well, I will make this statement, that if I felt that the Congress of the United States was disposed to and was about to abandon that kind of legislation, temporarily or permanently, I think I would go to Mexico, because of the result of unsettling the business of the country.

Senator RALSTON. Well then, if the Government gives the farmer special favors——

Mr. BAKER. Well, I wish to correct you on that, that we are asking for no special favors.

Senator RALSTON. You are asking the Government to protect the farmers in some way.

Mr. BAKER. We don't regard anything as special that is common.

Senator RALSTON. How is that?

Mr. BAKER. I don't regard a favor as special to us that is common to other interests.

Senator RALSTON. That is just what I am coming to. Would protecting you in your wheat, that is, legislating so as to increase the price of your bushel of wheat help the man who works in the factory and who has to buy the loaf of bread for his children?

Mr. BAKER. The man who works in the factory and buys a loaf of bread is absolutely not concerned as to whether the flour that goes into the loaf of bread costs the man who makes it a cent and a quarter or a cent and three-eights, and any change that we might make in accordance with the provisions of the Norris-Sinclair bill would affect the price of flour that goes into a loaf of bread probably less

than one mill. But suppose we give them all the leeway they want and say it increased it a half a cent, where bread sells for 10 cents it would not after that sell for over 10½ or 11 cents.

Senator GOODING. I saw a statement this morning where bread in London made out of flour shipped from this country after it has paid freight to deliver it to them in England is selling for about 50 per cent of what it is selling in this country.

Mr. BAKER. Yes.

Senator GOODING. And after the freight has been paid and the transportation and the cost of getting it over there. So, I think, as Mr. Baker says, so far as the price the farmer gets is concerned, the laboring man is not hurt very much by this.

Mr. BAKER. He is not concerned about it at all. In fact, the laboring man, organized labor—and they are the ones of whom you speak if you speak of any one at all—want to see the farmer get a fair price for his labor.

Senator JOHNSON. Mr. Baker, I have to go, and I think I would like to ask you a question. Now, you think the Norris-Sinclair bill will help the farmers?

Mr. BAKER. Yes, sir.

Senator JOHNSON. And how long will it take before we get any benefit under that bill?

Mr. BAKER. How long will it take?

Senator JOHNSON. Yes; about how long will it take?

Mr. BAKER. That will depend entirely on how quick the Congress acts upon it and how quick the matter is placed in operation. That is up to you.

Senator JOHNSON. You have studied the Gooding bill, have you?

Mr. BAKER. I have read the Gooding bill.

Senator JOHNSON. You don't think that the farmers can get immediate relief under that bill better than under the Norris-Sinclair bill, do you?

Mr. BAKER. I have not read the Gooding bill lately. I read it at the time it was introduced and considered it some. I have also read this bill that was introduced by the Senator from North Dakota.

Senator LADD. Senator Norbeck.

Senator JOHNSON. Now Mr. Baker, I am interested in your statement here, and I think we agree except on one point.

Mr. BAKER. All right, let us have that point.

Senator JOHNSON. What the farmer wants is immediate relief now. He can not wait five or six years.

Mr. BAKER. No.

Senator JOHNSON. You agree with me in that?

Mr. BAKER. Sure.

Senator JOHNSON. I gather from your statement that you think by cooperative marketing we will be benefited and probably eventually helped out?

Mr. BAKER. Cooperation on the part of the farmers, do you mean?

Senator JOHNSON. Yes.

Mr. BAKER. Well, I am beginning to doubt it.

Senator JOHNSON. Here, for instance, in your livestock, 19 years ago we organized the first livestock local situation. We got away with the middleman. Four years ago we started in to sell livestock on the terminal market. Now we are very successful in that, but

we don't set any price. The little benefit we get is just in that small way, and we take their place, and that is all there is to it. That is cooperation, absolutely. I am not talking against the Norris-Sinclair bill, you understand, but I want to find out what you think about these things, that if we now get the Government to appropriate hundreds of millions of dollars to go even part way, don't you think, Mr. Baker, while we wait for a bill of that kind to go into effect, we ought to have emergency legislation now to help us over, because we are losing all the time?

Mr. BAKER. You overlook the fact that my friend Fordney from Michigan put over an emergency tariff that was intended to benefit the farmers. We are supposed to be now in receipt of the benefits of that legislation.

Senator GOODING. Is there any doubt in your mind that the emergency tariff bill did help the farmer? I would like to get your ideas clear on the tariff. They have been mixed up here so bad it is pretty hard for me to understand where you are at. You say you would go to Mexico if we disposed of it?

Mr. BAKER. Now, don't get confused about that.

Senator GOODING. No, I am not confused. I don't think the Senator from Indiana quite understands you.

Mr. BAKER. The effect of the introduction or establishment of a policy of that kind at this time would be to so disarrange the business of the country that the wheels of industry and the wheels of everything else would stop, necessarily, and I dread that situation.

Senator GOODING. Well, I don't understand, Mr. Baker, what good cooperation and organization of the farmers for orderly marketing would do, or what good it would be, unless you first protect them in the American market, which is the best market in the world, and we can not protect them except by cutting out foreign surplus. Now then, organization won't do him any good, he can not fix the prices for the world, except possibly through an orderly marketing system he might be benefited. We have found the tobacco people and even the cotton people are helping themselves in the markets of their own country, but it strikes me where at least there is a surplus in this country the farmer can be helped out by a protective tariff.

Mr. BAKER. We agree perfectly on that when there is not a surplus, but when in the history of this country have we not had a surplus?

Senator GOODING. But you have not got a surplus in a great many things.

Mr. BAKER. Well, of wheat; I am talking about wheat.

Senator GOODING. Of wheat that is true.

Mr. BAKER. The tariff on potatoes, as I have indicated, will be of benefit to the people of the State of Michigan in times when the prices go up so that the Canadian people can jump over the tariff wall.

Senator GOODING. I don't think there is really any difference between us on that. All of the people have been benefited to some extent by the tariff on wheat. The people of the Northwest, where they go into competition with the high-protein wheat from Canada, have been very materially benefited, to the extent of 20 cents a

bushel. Those are the records that the markets show since the passage of the emergency tariff bill.

Mr. BAKER. Yes; but the benefit is so negligible from the standpoint of the general wheat producer.

Senator GOODING. Taking the total, I am quite willing to agree with you; but if it benefits them, of course it helps the other wheat growers to some extent. There is no question about that. What we are after and what we have got to work for—and I am a farmer, the same as you are, Mr. Baker—is a balanced condition on the farm. The farmer has got to move up and do business the same as Mr. For does, the same as the steel people do, and everybody else, as far as that is concerned. How can we get him there? Can you offer any suggestion in the way of legislation that will help to step the farmer up the same as everybody else is doing in the country?

Mr. BAKER. We have this suggestion to make, that anything that may be done that will enhance his market outlet can not result in anything but an appreciation of the price that he receives—an orderly market. You must not get away from the proposition of an orderly market.

The normal consumption of wheat in the United States I understand is 600,000,000 bushels in a year. It will be possible to absolutely break the market for wheat in the United States with 300,000,000 bushels if no information was given out on which people could determine just exactly what was in sight. If you take 300,000,000 bushels of wheat and put 200,000,000 bushels of it on the market within a week at any time of the year, the price would go down the toboggan. That would involve the question of orderly market. If we can merchandise our stuff, if it can be done by us directly, or, if not that way, if a governmental function will be placed out there that will enable us to do it indirectly, the orderly marketing of our crop would permit us to have something to say about what the price should be, which we have not now.

Senator GOODING. You can not have that without organization, can you?

Mr. BAKER. No; and we do not expect to get it by common consent among the farmers. We have a hardwood lumber association in my section, and the hardwood lumber manufacturers got together and said, "We are putting too much lumber on the market. The price is all shot to pieces because there is too much lumber on the market. Now, then, we will go out and restrict the output of lumber 25 per cent in the State of Michigan"; and all those fellows stepped up and signed a paper that they would curtail the production for the succeeding year 55 per cent. A friend of mine who lives within 30 miles of my place, a large hardwood lumber producer, says every one of those fellows went home and increased the output 25 per cent, because he assumed that the other fellows were going to do what they said they were going to do; and if they did he would put out twice as much lumber next year as he did before, and he would be in a position to make a killing.

Senator SMITH. Now, why did you not draw up your contract so that in the event of his doing that he would be likely to suffer the entire loss? In cooperative marketing, I am talking about, in tobacco and cotton, there is a penal clause that whatever contract you

sign is maintained in the courts; and both the Supreme Court of the State of North Carolina, and I believe of South Carolina, have maintained its legality, so that when you sign you stay hitched.

Mr. BAKER. You are fortunately situated in relation to the marketing of cotton and tobacco in the sense that there are limitations to it that make it possible to do that, but when you come to the proposition of marketing potatoes, and when you come to the proposition of marketing something that is grown from Washington to Florida, and potatoes are grown in every State in the Union, and they tell me they are raising mighty good crops of them in Alaska——

Senator GOODING. The principle, however, of controlling the market is the same in every State in the Union.

Mr. BAKER. Yes.

Senator GOODING. If your farmers can not get together and do this thing, and there is not any honor among them, and they won't stand by their contract, you can not help them very much.

Senator SMITH. You will have to have in your farmers' cooperative organization the same power that a corporation out here has in the manipulation of its stock.

Mr. BAKER. Yes, absolutely. But assuming that that program offered the relief that we seek, how much time, how long would it be before we get it? They say that it was not very good policy for those fellows to quarrel while Christ was being crucified. How long, while the christ of agriculture is being crucified, will it be before something will be worked out that will be capable of coping with the situation?

Senator SMITH. In our section we have been suffering the same condition, with no prospect of relief, and if we were going to permanently relieve it, we felt we had better lay the foundation would be that permanent relief, and we thought the foundation would be getting those who produced the stuff to realize that, as you illustrated a moment ago, where two bosses were seeking one man, that one man would get pretty good wages, but when two men were seeking one boss, they were out of luck. Therefore, by concentrating our cotton output and our tobacco output into the hands of one agent or one organization, I should say, and legally binding ourselves to certain things, so that recovery could be made in case we breached the contract, then when we got a majority of the producers to sign and we owned and controlled, through that organization, the major per cent of that output, we could name the price, because we held control of the majority of stock in it, and we are approximating that in the cotton production. It is growing by leaps and bounds, because men realize that if I am competing in the market with you and every cotton producer is rushing to the market and competing, the fault lies with us.

Senator LADD. I suppose the hour has arrived when we will have to adjourn, and I think we will have to rather hasten this hearing a little bit.

Senator KENDRICK. Before we adjourn I want to ask Mr. Baker if he has any further suggestions to give us, if he will continue at another meeting. I have been very much interested in his statement, and I think he has not concluded.

Mr. BAKER. Well, I have made the suggestion that we are here offering the Norris-Sinclair bill as a measure that we expect will

produce a measure of relief in the situation that would be very satisfactory, and we hope that you will give to it that consideration which its importance justifies; and the present condition of the farmer—I want to tell you that you know they say that the French Revolution was brought about by the profligate display of wealth and affluence on the part of privileged classes in France, and we farmers up there are cautioning our women to be very careful about exhibitions of undue prosperity.

Senator LADD. We will have to adjourn now until to-morrow at 10 o'clock, when we will continue the hearings on these bills.

(The hearing was thereupon adjourned until 10 o'clock a. m. Tuesday, January 8, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

TUESDAY, JANUARY 8, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Ladd, Norbeck, Harreld, McKinley, Johnson, Smith, and Kendrick.

The CHAIRMAN. The committee will come to order. Who is the first witness?

Mr. MARSH. Mr. Bowen.

STATEMENT OF MR. A. E. BOWEN, MINNEAPOLIS, MINN.

The CHAIRMAN. First state for the record your name and residence?

Mr. BOWEN. A. E. Bowen, of Minneapolis, Minn.

The CHAIRMAN. What is your business, Mr. Bowen?

Mr. BOWEN. Lecture work.

The CHAIRMAN. And in what line?

Mr. BOWEN. Well, with farmers' organizations.

The CHAIRMAN. Are you connected with any farmers' organizations?

Mr. BOWEN. I am here as the representative of an organization known as the Petition Plan Association, an organization organized for the purpose of petitioning this Congress for the purpose of stabilizing the price of agricultural products.

The CHAIRMAN. That is a new organization. At least there has been little heard about it?

Mr. BOWEN. That organization was brought into existence in the latter part of August of this year, or last year, 1923, by a group of farmers in Decker County, Minn. At that time stabilization meetings had been held in various parts of Minnesota and resolutions adopted by the gatherings. Sometimes the resolutions were telegraphed to the President, and a committee was sent from those Northwestern States to call on the President, asking him to call a special session of the Congress to stabilize the price of agricultural products. Some farmers felt that a mere resolution adopted by a gathering was not as definite and did not mean as much as though the farmers were asked to actually sign petitions, so at Detroit, Minn., an organization was organized known as the Petition Plan Associa-

tion, and they employed me to hold their meetings, and for several weeks after that I held several meetings.

The CHAIRMAN. Where?

Mr. BOWEN. In Minnesota, North Dakota, Wisconsin, and Kansas.

The CHAIRMAN. You traveled around and delivered lectures, and after that meeting asked them to sign petitions?

Mr. BOWEN. Asked them to sign petitions, yes; and I have the petitions from Minnesota and North Dakota here with me. I have not got the Wisconsin and Kansas petitions, but I will try and have those before these hearings are closed.

The CHAIRMAN. How were they signed? Were they pretty generally signed?

Mr. BOWEN. Practically 100 per cent at the meetings.

The CHAIRMAN. How were the meetings attended?

Mr. BOWEN. Well, the meetings were not very largely attended. We held meetings in country schoolhouses and in small towns.

The CHAIRMAN. Were the meetings attended by other than farmers?

Mr. BOWEN. Yes. I have as signers of the petitions bankers and business men, and I will mention some of those men in my testimony this morning.

The CHAIRMAN. Now geographically, those meetings were held in and those petitions come from Minnesota and North Dakota?

Mr. BOWEN. Minnesota and North Dakota, yes.

The CHAIRMAN. Do you know how many meetings you held all together?

Mr. BOWEN. I think in Minnesota I held some 30 meetings.

The CHAIRMAN. What had been your business before that?

Mr. BOWEN. I had been for several years a national lecturer for the Non-Partisan League.

The CHAIRMAN. All right, Mr. Bowen. Now you may go ahead.

Mr. BOWEN. In giving the testimony before this committee this morning I wish to discuss first the actual conditions in the farming sections of the Central Northwest, particularly the wheat growing sections, and I want to say to the committee that in the two Dakotas the wheat raising section of Minnesota and the other wheat growing sections of that part of the country the farmers to-day are facing bankruptcy. I have the word of Mr. Burtness, the Congressman from the first congressional district of North Dakota, that in his community conditions are so serious among the farmers that in one township 30 farmers met one night to discuss their agricultural problems and decided that the business of farming was so hopeless that they appointed a committee to represent them and sent that committee to town the next day to consult with a firm of attorneys to take them all through bankruptcy in a group. Mr. Burtness made that statement to the Associated Press, and it was published in September in several of the papers of the Northwest.

The CHAIRMAN. I think it would be interesting to know just what happened, so that we may know whether this is a report that is worthy of consideration here. What did that committee do, and did it take those men through bankruptcy, and, if so, how many?

Mr. BOWEN. I have understood since—I have no proof of this, but it is my understanding that the local bankers of the community who held the mortgages on the property of those men have made an arrangement with the farmers by which they remained on their farms and will remain and take care of their cattle, and they are helped to do that by the people who hold their obligations. That is my understanding of the case.

I want to go a little bit further in discussing the farm situation and tell this committee a conversation I had with a banker whom I have known for 30 years, since I was boy, who is in the banking business at La Moure, N. Dak., where I was born. I was talking with him last fall about the panic of 1893, and discussing the present condition of farmers. I suggested to him that the conditions now are almost as bad as they were 30 years ago during the panic. He said to me, "Boy, the conditions to-day in La Moure and Dickey Counties are 10 times as bad as they were 30 years ago." I said, "Of course it is impossible to be very much worse," and he said, "No. Thirty years ago the farmers in this community were proving up on their land. About the first thing they did in proving up on their land was to borrow some money. In those years they were fortunate if they could borrow $200. In some cases farmers could borrow more. I loaned in those days $500 to the right kind of farmer on the best land." He said, "But to-day the farmers are 10 times as bad off as they were then. Taxes are more than 10 times as high as they were then. The land will only produce one-half as much as it did then, and the dollar now will only buy one-half as much as it did then."

I mention that to show that it is not the farmers only that are complaining of the conditions in that country. And it is not only the farmers and bankers, but at a meeting I held in Dakota, Minn., when I had these petitions signed—by the way, the first man who signed the petition at that meeting was James Gronna, son of former United States Senator Gronna, a banker of that city, and in private conversation with Mr. Gronna after the meeting he told me that one store in that town, one mercantile establishment, has outstanding $300,000. They can not collect it, and he said that concern never will be able to collect it, because, he said, all of the security the people own who owe this store is pledged to the banks, and he said, "I can see nothing facing the merchants of this community but bankruptcy with this terrible condition existing in agriculture."

Now, some men who are not familiar with farm problems may think it is the farmer's fault, and some people may ask the question, "What has the farmer done?" And I want to say in answering that question that the farmer has done almost everything that he has been advised to do. He has done all that he could do. I remember in my earliest recollection in the farming communities it was the advice of everybody that the farmer should raise more—increase production. In those days they said, "Raise more wheat." The gospel of making two blades of grass grow where only one grew before was the doctrine that I was brought up on, so far as farming was concerned. The farmers have done it, and they have brought about increased production until to-day very nearly everybody recognizes the fact that we are raising too much.

After the gospel of increased production had been preached to us for some years they changed the advice and told us to raise hogs; and I remember some 20 years ago in the farm papers they would

picture the hog as the mortgage lifter. We were told that the hog was the mortgage lifter in this country. I notice by Mr. Wallace's last annual report that the State of Iowa, which is known as the hog State, where they went into the raising of hogs to a larger extent than they did in any other State, has not only the most farm mortgages of any State in the Union, but, according to Secretary Wallace's report, on the 1st day of January, 1920, Iowa had practically one-seventh of all the farm mortgages in the United States. One-seventh! More than a billion dollars worth of farm mortgages piled up on the farms of the one State of Iowa alone, where they went into the hog-raising business.

Lately the farmers have been advised to go into the dairy business, and I don't want anything that I might say to be interpreted by the committee as an argument against going into the dairy business, but I want to say this, that if the farmers of the country go into the dairy business, as they have been advised to do, the dairy business will not be as profitable as it is now.

This morning a telegram came to one of the Members of the United States Senate, signed by the principal dairy farmers of the State of Minnesota, protesting against a certain piece of legislation that will come before this committee, introduced by Congressman Burtness, to finance the purchase of livestock, to finance the purchase of dairy cattle. The dairy farmers themselves protest against it because they say if the wheat farmers plunge into the dairy business it will flood the market with dairy products, and that will not be profitable then.

I heard a speaker at the National Dairy Conference in St. Paul a year ago make the very absurd statement that if he had his way and the American farmers would take his advice he could make the American farmers prosperous in six months, and his remedy for conditions, and his remedy for making them prosperous, was for every man within that six months to double the number of dairy cows he had on his farm which, of course, would be all right if you could manufacture dairy cows in a factory, but the only good way to get into the dairy business is to buy a cow from somebody that already has her, and she does not give any more milk after you buy her than she does for the man who has her now. So that is not a remedy for the condition of the farmer.

I remember years ago we were advised to go back to the land. During those days when they were preaching the doctrine of increased production we were told that the movement of farmers to the city was a dangerous movement. Back to the land was the doctrine preached to us then. I noticed in Mr. Wallace's report two years ago that he says one of the most hopeful signs today that there is is that farmers and farmers' sons by the tens of thousands are leaving the farms and going to the cities.

I mention these things to show the advice that is being given and has been given the farmers.

A great many people in America are saying that the great need of the farmer is more credit. I want to discuss that before the committee for a moment. Babson, who is one of the greatest authorities in the world, in the Saturday Evening Post for the 19th of May, has an article, and I wanted to mention the Saturday Evening Post, because it goes every week into the homes of some 5,000,000 people. It goes into the homes not particularly of farmers, but

rather of people who live in the towns, villages, and cities. As they read that they are apt to think the thing they read is true.

Babson says in that article—and I have it with me here this morning—the great need of the farmer is for more credit. I want to say that the farmer does not think so. The farmer feels he has had too much credit already. The farmer thinks what he wants now is sufficient cash for the stuff he sells, and not more credit. As long as the farmer sells his wheat at a loss, his corn and hogs at a loss, nobody can make him prosperous by loaning him more money. Loaning him money puts him more in debt and gives him more interest to pay.

Cooperation is the thing that is being talked to us now more than anything else, and while I have always believed in cooperation, and the farmers generally have believed in cooperation, we have got to admit that cooperation is not a success, and I want to say that the wheat farmer has lost confidence in his ability to save himself by voluntary cooperation, and if the farmers who raise wheat are ever going to successfully cooperate, they have got to have a cooperative where the farmers are banded together, riveted together and cemented together by a law passed by this Congress. The farmer is scattered all over the world. He lives isolated out there on his farm. He has been led to belive that he is a little king of an empire all his own. He has been told that he is an independent farmer. I guess independent is right. He is in about as far as he can get, and dependent upon everybody else in the world. But he can not organize himself, gentlemen.

I notice one of the members of the Senate, Mr. Brookhart, on his return from Europe this year talked of the cooperatives of Denmark, and how the American farmer ought to learn a lesson from those cooperatives in Denmark. I want to say cooperation in Denmark proves nothing so far as our condition and our situation is concerned. You can take the whole Kingdom of Denmark and you can put it in one corner of your State of Nebraska and have enough Nebraska left to make several more Denmarks. The people there live close together. They speak one language and they are members largely of one church. They are engaged largely in one business, the business of dairying, the easiest of all businesses to make a success of along cooperative lines. But the American farmer is scattered all over this greatest country in the world, and we can not solve our problems by voluntary cooperation.

After 40 years—and the State of North Dakota, which you represent, Doctor Ladd, has been settled about 40 years—the State of North Dakota is in a very deplorable condition, and I mention that because it happens to be the State represented by Doctor Ladd. At the end of 40 years you have created vast wealth, have fed millions of people, shipped out of the State everything that you did not have to eat and wear, and to-day, after giving that tremendous wealth, those millions and hundreds and hundreds of millions of bushels of food to the world, you could not sell the State of North Dakota for enough to pay the indebtedness of the State. The same thing is true of South Dakota. The same thing is true of many other States. We have given everything we have created, we have given everything we have raised, and we have given in the form of mortgages a deed

to the very State itself to interests that have had privileges that the farmers have not been permitted to enjoy.

I have a letter here this morning from a farmer in Minnesota——

The CHAIRMAN. If I might interrupt you there, I am very much interested in that statement with regard to North Dakota. I wondered if you could give us some figures on that. When you say that North Dakota's mortgages are greater in the aggregate than the value of the entire State, do you have those figures?

Mr. BOWEN. No; I have not, Senator.

The CHAIRMAN. Is that literally true now?

Mr. BOWEN. I think so; yes.

The CHAIRMAN. In taking the value of the State, do you take the assessed value?

Mr. BOWEN. No; I would not take the assessed value. I would take what the State of North Dakota would bring, and that was my statement.

The CHAIRMAN. Would that be greater or less, in your judgment, than the assessed value? I mention that, because that is a figure we could get from the official reports, and we could also get, I presume, the amount of mortgages. It would be very interesting if we had those two figures.

Mr. BOWEN. I have no figures along that line, Senator, except as I have discussed the matter with farmers and bankers and business men in the State.

Senator NORBECK. Mr. Chairman, the census does not give the total of the farm mortgages. It gives the total of mortgages on farm land occupied by the owner. So it is only an approximate figure after all.

Mr. BOWEN. Mr. R. W. Frazier, who is in your city and may appear before the committee, who is chairman of the Republican Central Committee, told me yesterday that there is no actual way of getting the amount of farm mortgages of the State, except as you go from county to county. He has been trying to get that information, and only has it from a few counties, but it is the concensus of opinion of farmers and bankers and business men of the State that the land would not sell for the amount of the mortgages.

The CHAIRMAN. We realize that land was selling for more a few years ago that it is now. That is not so much true of my State of Nebraska and of Iowa and some other States, because there was no land boom there during the war.

Mr. BOWEN. But in making the statement that the State can not be sold for enough to pay the debts of the State, I mean all kinds of debts, of course, mortgage indebtedness, bonded indebtedness, and all indebtedness of that character.

I have a letter with me here that I received the other day from a farmer in the Red River Valley, of Minnesota, who tells me that in the last six years he has gone broke. He states in his letter that six years ago he was worth $40,000, and that now, because of the deflation that was created in this country, he is bankrupt—he is broke—and is in danger of losing his farm.

I want to discuss a thing that has happened in the last few years with the American farmer. We hear a great deal about the depreciation of the dollar—a great deal of talk about the depreciation of the

farmer's dollar. You Senators understand what that means. The farmers don't all understand what that means. I read a statement in a paper the other day, and I heard the statement from this chair yesterday by Mr. Baker, who testified before your committee, that the farmer's dollar now is only worth 64 cents. The farmers would like to have the members of this committee think of the depreciation of the dollar rather in terms of depreciation of bushels, and in that connection I wish to call the committee's attention to the fact that a farmer in Kansas showed me his books. He is a farmer who for 25 years has kept books. I was invited to his home after a meeting one night and he showed me those books. One item in them I wish this committee to get was that in 1901 he bought a Deering binder. He had a peculiar method of keeping books. He put down not only the dollars that the binder cost him, but he put down the number of bushels of product that it had cost him. He put down the number of hundred pounds of hogs which the thing would cost, and had been doing that for many years. He thought in terms not only of the depreciation of the dollar, but the depreciation of the bushel. He showed me by his books that in 1901 that Deering binder cost him 120 bushels of wheat. I am sorry I did not get the dollars, too, but I was holding campaign meetings at the time, and talking in terms of bushels, and did not think to get the price of the binder. But in 1922, a year ago this last summer, he bought another Deering binder of the same size, and 120 bushels did not pay for the binder in 1922. It took 258 bushels at the average market price—120 bushels in 1901 and 258 bushels in 1922.

Senator CAPPER. Do you know the market price of wheat at that time?

Mr. BOWEN. If I remember it correctly, he got about 90 cents in 1901. I am not positive of that, however. I should have taken those figures down, but I neglected to do so.

To show the depreciation of the farmer's bushel, a harness dealer that attended my meeting in Erskine, Minn., some two months ago told me that he had been in the harness business some years, and that 20 years ago, in 1903, a certain harness that he had in mind cost $23. The same grade and quality of harness to-day he sells for $80, or nearly four times as much, and the price of wheat has certainly not gone up comparably.

Senator NORBECK. I would like to have Mr. Bowen state what, in his judgment, he attributes those changes?

Mr. BOWEN. Largely to the fact that the men in industry are organized and the farmer is not organized; largely to the fact that the corporations who manufacture harnesses keep books—keep records——

Senator NORBECK. I understood you to say that it has been mainly through larger profits that the harness has gone up.

Mr. BOWEN. No; I will not say so. I will grant for argument's sake that their profit is not abnormal to-day. I will grant for the sake of argument that in the harness factory, where harness is made, the laboring men are better paid, and the increased price of labor is largely responsible for the increased price of harness. But the reason the farmer has to pay three times the amount of wheat now for the harness that he did then is due to the fact that the farmer

is unorganized and he is not paid. The laboring man is entitled to his pay. The farmer is not paid, and he is entitled to his pay.

The CHAIRMAN. Could you tell us, for instance, in that illustration about the harness, whether the local dealer who sold the harness for $80 made the harness in his own shop?

Mr. BOWEN. No; he did not.

The CHAIRMAN. He bought it from some one?

Mr. BOWEN. He bought it from some one.

The CHAIRMAN. You don't know what his profit was?

Mr. BOWEN. No; but he told me he made a little more than he did then.

The CHAIRMAN. Now about the man who bought the two binders, will you give me those years again?

Mr. BOWEN. 1901.

The CHAIRMAN. That was when he bought his first binder, and what was the date of his next purchase?

Mr. BOWEN. 1922.

The CHAIRMAN. That was 21 years. Do you know whether he used that first binder during all that time?

Mr. BOWEN. No.

The CHAIRMAN. How many binders had he used during that period?

Mr. BOWEN. I don't know, but I remember that he gave me one other binder that he bought in 1918, and that cost him 132 bushels of wheat.

The CHAIRMEN. Now then in 1918 he bought a binder, and in 1922 he bought another binder, and I presume that binder lasted him four years. Would you say that that was a fair example of the time a binder should last?

Mr. BOWEN. It should last longer than that.

The CHAIRMAN. That is what I am trying to get at, whether you can lay anything at the door of the farmer for his neglect of those things?

Mr. BOWEN. I think so; yes, sir. The farmer does not take very good care of his farm machinery.

The CHAIRMAN. Do you know, for instance, whether this man had left his binder out?

Mr. BOWEN. I think not. He was a very good farmer, a much better farmer than the average.

The CHAIRMAN. It might be interesting for us to know, if you can tell us, what is the average life of a farmer's binder?

Mr. BOWEN. Well, I would not know what the average life of a binder is. A binder should last 10 years; it could last 10 years very easily.

The CHAIRMAN. As a matter of fact, I suppose it would be safe to say they don't last that long?

Mr. BOWEN. I don't think they do. I think probably the wear and tear of the elements wear binders out more than the wear and tear of the harvesting of crops. I do not know that that is true, but I would estimate it so from the fact that I have seen binders covered up with snow out in the open.

The CHAIRMAN. I have that idea myself; but still it is only an estimate, just as you have given. I may be enttirely wrong about it.

Mr. BOWEN. I think there is no doubt about it, Senator.

Now, on another topic: A farmer in Kansas told me the other day that this past summer he butchered a 6-months-old calf and that the hide brought him 50 cents, and one from your State, Doctor Ladd, Mr. Oleson, of New Rockford, told me that just one year ago, in 1922, he butchered a steer, took the hide to town, and no one would make him any offer on it, and he took the steer hide home and buried it.

A farmer at Warren, Minn., told me at one of my meetings a year ago that in 1922 he butchered a cow and took the cowhide to town and sold it for 85 cents, and that at that same time he happened to needs some washers for his pump, small leather washers, and he bought two and paid $1, or 15 cents more for two washers than he got from the entire cowhide. He said he could have made those washers out of the ears of the cowhide he took to town.

To show you the condition the farmer is in in his marketing of his goods, I want to say something about the potato situation.

Most of these meetings I held this year were in the great Red River Valley section, the greatest potato raising section in the world. Potatoes in that section sold for 25 or maybe 35 cents a hundred, not enough, hardly, to pay for digging. I was all over the Red Valley country, and many thousands of bushels of potatoes rotted in the ground at those prices.

The CHAIRMAN. What price?

Mr. BOWEN. Thirty-five cents was the high price.

The CHAIRMAN. A bushel?

Mr. BOWEN. A hundred pounds.

I went to Salina, Kans., the 1st of November, and in the back of the building where I was talking with a friend he told me he had rented that back part of his building for a potato warehouse. I went back and looked those potatoes over, and on the sack I read this statement: "Black loam potatoes raised in the Red River Valley, Shelly, Minn." I asked the price of those potatoes and the man said, "You mean by wholesale?" and I said, "Yes." He said, "$1.50 a hundred."

I took particular pains to find the freight rate from Shelly, Minn., to Salina, Kans., and I found it was 55 cents a hundred. Granting that the farmer got 35 cents, which was the highest price, and that the freight was 55 cents, 35 cents and 55 cents makes 90 cents, the actual cost of laying the potatoes down in Salina, Kans. Granting that the man who handles them wholesale was entitled to ten cents a hundred, which would have been a fair and reasonable profit, that leaves 50 cents more net overhead profit, which is considerably more than the farmer got for the potatoes, and he did not make any profit on them at all. Thirty-five cents in the Red River Valley, 55 cents freight, makes 90 cents, and 60 cents more to the gentleman who handles the potatoes.

The CHAIRMAN. That is, that 60 cents would make up the difference between those figures and the sale price?

Mr. BOWEN. Yes.

The CHAIRMAN. That was divided up in profit between the people who handled the potatoes?

Mr. BOWEN. This man told me that he had shipped them there himself, so that he was making that profit, and that, understand, was the wholesale price of those potatoes.

The CHAIRMAN. Do you know what the retail price was?

Mr. BOWEN. Well, they retail them at all kinds of prices, as high as $2.50 a bushel, and in some places they retail them on a very close margin.

Now I have another illustration here that I think is even more striking than that. I held a few meetings in——

The CHAIRMAN. The suggestion is made that there are two witnesses here that have to get away and would like to be heard so that they can get away to-day. Does it make any difference to you if you stop now and come on later?

Mr. BOWEN. Not in the least.

FURTHER STATEMENT OF MR. A. E. BOWEN (made January 11, 1924).

Mr. BOWEN. Mr. Chairman, I gave figures in my previous testimony, and I closed my testimony with figures showing the depreciation of the farmer's dollar, and shall I repeat some of those figures that I gave the other day, for the benefit of those who were not here?

The CHAIRMAN. Yes.

Mr. BOWEN. The farmer in Kansas, whose books I had the pleasure of looking over, a farmer who for 25 years has kept records, showed me in 1901 to buy a binder took 120 bushels of wheat, and in 1922 he bought another binder, and it took to pay for the binder 258 bushels of wheat, or more than twice as much.

The last figures I gave in my previous testimony I want to repeat for the benefit of the Senators who did not hear the testimony at that time. Those figures had to do with potatoes.

In the Red River Valley in Minnesota, the greatest potato raising section of the world, the farmer who received as high as 35 cents a hundred was fortunate. On the first of November I was in Salina, Kans., and Red River Valley potatoes, from Shelley, Minn., which is in the Red River Valley, were wholesaling from a wholesale house there at $1.50 a hundred. Thirty-five cents was the top price the farmer got for them. The freight from Shelley to Salina, Kans., was 55 cents a hundred, bringing the total up to 90 cents, and the wholesaler was receiving $1.50 a hundred for them there.

Senator LADD. How many middlemen were receiving profits in that case?

Mr. BOWEN. This man who was wholesaling them there told me that he shipped from Shelley, Minn., himself, so that he was the only middleman in that.

The CHAIRMAN. I presume there was a middleman at Shelley.

Mr. BOWEN. Probably. At least he had to buy them there.

The CHAIRMAN. This man at Salina, Kans., did not buy, I suppose, direct from the farmer, but between him and the farmer there was one middleman.

Mr. BOWEN. One other illustration. I did not present this the other day.

In Wisconsin, in September of this year, the dairy farmers told me that they were not making the money we had been led to believe in the wheat country that they were making. We were told that if we went into the dairy business we would propser. The dairy farmers in Dane County, where Madison, the capital of Wisconsin, is

located, told me that they were not making money, and I inquired the reason, and they said "Because of the high price of feed." I inquired about the feed prices, and they told me that they were paying in Madison at that time for bran $33 a ton. We must remember that when wheat is a dollar a bushel a ton of wheat only brings $33.33. That means for the bran, a by-product, the farmer was paying within 33 cents as much as he could have bought the entire ton of whole wheat for in the first place.

Senator CARAWAY. If wheat was a dollar a bushel, which it was not.

Mr. BOWEN. I give those figures to show the depreciation of the farmer's dollar.

Now, I want to discuss why the farmer's dollar has depreciated while the price of everything the farmer has to buy has gone up in comparison to the things he has to sell. I want to say that in the opinion of farmers I represent here that is due to the fact that the farmer has no scientific marketing system. He dumps his grain on the market. Every farmer sells his own grain. The old saying is that when every man is for himself the devil gets the hindermost. In the marketing of the farmer's products, the devil sometimes gets everybody.

Prices have gone up on everything we buy. When Mr. Baker was testifying a few days ago before this committee, the Senator from Indiana asked him some questions about taxes. I want to say that our taxes are high, but the farmer would not complain of high taxes if his dollar went far enough, or if his bushel of wheat went far enough. For instance, in the State where I am best acquainted, the State of North Dakota, our taxes are high, but the principal cause of the increase in taxes is the increase in the cost of operating our school system. I know something of the increase in the expenses of operating schools. In my younger days I was a teacher. I remember teaching in North Dakota for $40 a month. To-day you could not hire half as good a teacher as I was for three times that much money. Teachers' wages have increased to that extent, and other expenses have increased in proportion.

Another point I wanted to make in connection with the depreciation of the farmer's dollar, in answer to a question asked also by the gentleman from Indiana of Mr. Baker the other day. The point was raised at that time that the farmer has been paying special privilege prices for everything that he has bought; that is, that there has been a protective tariff that has protected the manufacturers of farm machinery, and the gentleman from Indiana——

The CHAIRMAN. Now, the Senator from Idaho is not present. If he were here, he would call your attention to the fact that there is not any tariff on farm implements.

Mr. BOWEN. I was going to call attention to that.

The gentleman from Indiana asked the question, In order to help the farmers would it not be a good idea to withdraw immediately all special privileges granted in the past? I want to say if there are these special privileges—and I presume we will all admit there are some—the fact of the matter remains that the farmers at present, themselves, represent special privileges that have been given in the past, and to solve the problem you have to start at both ends of the

line to take away the special privileges existing to-day, but if we just did that and did one thing further, the farmer would be able to pay the high prices that he is asked to pay. So that the farmer is asking now for some return for what he has paid the special privilege interests in the past. The farmer is asking for an increased price to make it possible for him to pay the prices that he has paid in the past.

Another thing I want to say, in appearing before this committee and speaking for the farmers that I represent, I am not appealing for the wheat farmer alone. There is this year an emergency in the wheat country. The wheat farmer this year is suffering, but other farmers have suffered in the past, and it is altogether probable that other farmers will suffer in the future. We hear that this year the corn farmer is in fairly good circumstances; that is, they are getting a better price for corn than for wheat. But the man who raises corn has got to have a market. Three years ago now, Senator Norris, I was in your district. I spent the winter in Nebraska, organizing the farmers of Nebraska. I was in the homes of many hundreds of farmers in Nebraska during that winter, and in many hundreds of places I saw the farmers of Nebraska, the corn farmers of Nebraska, you understand, burning corn in their cookstoves and burning corn in their heating stoves, and in many cases I saw them hauling loads of corn on the cob to the schoolhouses, where it was being burned in the schoolhouses because the price was so low that they could not afford to sell the corn and buy the coal to heat those schools with. There was then an emergency amongst the corn growers, and there have been emergencies in the cotton sections, and in asking for the passage of the Norris-Sinclair bill we are pleased to ask for the law because it does not apply to wheat alone, but applies to the man who raises corn, to the man who raises cotton, to the man who raises other products.

Something has been said about the increase in production that would be brought about if wheat farming was made to pay. In that connection I want to say that anything that is done, anything that can be done, whether it is along lines of national legislation, or whether it is along lines of farmers' cooperative organizations—anything that can be done to make farming pay—will stimulate production; but in appearing before this committee we are not asking for a guaranteed price on wheat or a guaranteed price on any other product, because this Norris-Sinclair bill applies to all agricultural products. It would, to a less extent than a guaranteed price, stimulate production.

For instance, let us see what happened during the years when the Government fixed a price of $2.26 a bushel for wheat on the Chicago market. In addition to the fixing of the price there was a patriotic appeal to raise wheat. We were told it was our patriotic duty to raise that one crop of wheat. Wheat was the thing talked about. Wheat was the product upon which the fixed price was made. As a result of that there was brought about a great increase in the production of wheat. Wheat raising was stimulated. I have here in my hand a diagram showing in pictures the production of wheat in the United States in 1923, and I find that under this stimulation of wheat production due to the fixing of price, and the stimulation of

the production of wheat caused by the patriotic appeal during the war, States who had raised very little wheat for 30 or 40 years have this year raised much more wheat than some of the exclusive wheat States of the past. I find, for instance, that during the war under the stimulation caused by the fixing of the price and the patriotic appeal, Illinois, Missouri, Ohio, which in years since I can remember have not been in the wheat belt, but have been corn Sattes, many thousands of farmers in those States not having sown a bushel of wheat for many years, until that time, went into the raising of wheat. Minnesota, which up until a few years ago stood third in production of wheat in the United States, this year stands tenth. Ohio raised more wheat this year than Minnesota. Missouri raised 7,000,000 bushels more this year than Minnesota. Illinois this year raised 17,000,000 bushels more than the State of Minnesota.

So that the fixing of a price or guaranteeing of a price during the war resulted in that condition.

Again I want to say that, speaking for the farmers I represent here, we are not asking for a guaranteed price on wheat. We believe a guaranteed price on wheat would, in the long run, do the American wheat farmer more harm than good.

Senator RALSTON. Right in that connection, I see here a bill introduced by Senator Gooding proposing to have the Government guarantee $1.50 for wheat. In view of the Norris-Sinclair bill, would you advise the passage of this bill?

Mr. BOWEN. I would not. I believe that the Gooding bill guaranteeing a price is unscientific. I believe, as I said a moment ago, it will in the long run injure the American farmer more than it will do him good.

Senator RALSTON. I wish Senator Gooding was here.

Mr. BOWEN. If a guaranteed price is fixed on any one product the immediate result is for the border zone—for instance if you fix a price on wheat, there is a border zone that can increase its production of wheat, a territory that has been engaged in the production of corn will increase the production of wheat; and the farmers that I represent here are opposed to that.

The reason we are for the Norris-Sinclair bill, as I said, is because we believe it provides for a corporation that will make it possible for us to dispose of our product in a more orderly market. A private individual handling the wheat crop of the United States would certainly not sell it the way it is sold now. If one individual had the wheat crop of the United States he would say, "Here are 800,000,000 bushels of wheat. This 800,000,000 bushels of wheat will be sold about like this—200,000,000 is my exportable surplus, and 600,000,000 is for home consumption. The world market for wheat is a certain price. At that world market price we must sell the exportable surplus of 200,000,000 bushels. There is a tariff on wheat at the present time; therefore the remaining 600,000,000 bushels are for home consumption, and I will sell it at the world price plus the tariff."

I call the attention of the gentlemen of the committee to the fact that an industry having an exportable surplus can not benefit from the tariff. A private individual could benefit, because he could

put it on the market in an orderly and scientific manner. A private individual would do that, and a public corporation certainly would.

Senator HEFLIN. Has this tariff that we have on wheat benefited the farmer?

Mr. BOWEN. According to the best figures available, it has benefited the raisers of hard wheat in the Northwest section, but it has not benefited the raisers of the soft wheat, the central southern wheat growers, at all, and has not benefited the hard wheat raisers to the extent it should.

The CHAIRMAN. Why is that?

Mr. BOWEN. The fact that we have an exportable surplus means that we must put it on the market at the world price and tends to keep that which we have for home consumption on a lower level.

Senator RALSTON. No matter what the tariff?

Mr. BOWEN. Yes, sir.

Senator LADD. I wondered if the bond proposition had anything to do with it, the provision for bringing the wheat in in bond tended to keep the wheat off the market.

Mr. BOWEN. As an illustration of what corporations and individuals, private individuals and corporations would do, I am going to tell you what they have done. When William Jennings Bryan was in Europe some years ago he wrote from Europe a series of articles published in his newspaper, The Commoner, and some other publications in America, and I remember reading some of those articles, in which he said that in Norway, in the capitol city of Norway, he found binders on sale made in this country. He priced those binders and found he could buy one there in the capitol of Norway, pay for it in United States gold money, ship the binder by steamer to Boston, there take it off the ship and put it on a freight train and ship it to Nebraska, where his farm was, and put it on his farm at $17 below what he could buy it for in the United States. It has been made in the United States and shipped across the Atlantic once. He could buy it and ship it back again, and I want to say for the record—and I wish that the Senator from Idaho was here—that while there is no tariff now on farm machinery, the farmers feel that the reason there is no tariff on farm machinery to-day is that the International Harvester Co. does not need any, that their former protection here under the protective tariff made it possible for them to finance their operations here, and, not only that, it made it possible even for them to go to Norway and Germany and other parts of Europe and sell their products at a loss, if necessary, in competition with German made farm machinery until they had frozen out all competition, not only in the markets of the United States, but of the world, and the International Harvester Co. to-day has become what its name signifies—an International monopoly.

That also applies to the lumber people. Senator Gooding made the statement that there was no tariff on lumber to-day. There was a tariff on lumber as long as they needed it, until they gutted Minnesota of its timber, the greatest in the United States, and until they did the same thing in other States, and until the time came when they wanted to go out of the country for lumber, and wanted to rob Canada of its lumber, and then they took the tariff off in order to take the lumber out of Canada and sell it to us without paying anything on it.

Now, gentlemen of the committee, that is all I have to say, unless there are some questions you wish to ask.

We are asking for the passage of the Norris-Sinclair bill in preference to a guarantee on any one crop. We are asking for a Government corporation because we believe that a Government corporation can serve all the farmers of the United States.

Senator RALSTON. Mr. Witness, you say you are asking for the Norris-Sinclair bill in preference to a guarantee. To what extent does that represent the sentiment of the farming classes, in your judgment? I have not investigated and I do not know anything about it.

Mr. BOWEN. I might repeat what I stated when I took the witness stand before, that I represent here the organization known as the Petition Plan Association. The Senator from Indiana was not present when I took the stand. That organization was brought into existence in this way: Meetings were held, many hundreds of meetings in the central Northwest this year—stabilization meetings. Those stabilization meetings were held and resolutions were adopted asking various things to be done. Finally, a group of farmers who happened to live in Becker County, Minn., came to the conclusion that meetings that merely adopted resolutions were not satisfactory, and the thing that should be done was to have an organization built up and for the organization to hold meetings in all of the wheat country that could be reached, and have that organization select a representative to appear before the Agricultural Committees of the House and Senate here in Washington, and that some systematic plan be worked out for the farmers. That committee asked me to represent them in holding meetings throughout the Northwest and in appearing here at Washington.

I personally held some hundred meetings, possibly 50 of which were in Minnesota, and the balance in Wisconsin and Kansas, and wherever I spoke—and I spoke to the farmers as I have spoken at this meeting—I opposed price fixing; that is, a guaranteed price. I favored the principles of the Norris-Sinclair bill. I endeavored to convince the farmers of the unscientific results from the Gooding bill. I tried to show them that this Norris-Sinclair bill was a much more scientific bill, that in the long run the farmer would be much more benefited by a scientific marketing system than he would be by putting his hands in the Treasury of the United States for losses that might be suffered. Everywhere I spoke the audiences, composed of farmers, business men, and bankers, were absolutely 100 per cent in favor of this plan. At our meetings they signed petitions. They not only signed petitions, but they contributed money to finance the meetings, and everywhere I met with 100 per cent approval by the audience. Never, in a little over three months that I worked at the meetings, did I find a man at a meeting who disagreed. They all were in favor of the principles of the Norris-Sinclair bill.

I think that before the meetings were held a large percentage of the audiences were in favor of a guaranteed price, because that had been talked of a great deal.

The condition of the farmer is very desperate. He is willing to try most anything. But I am confident when the farmer is brought to understand it—and they have been brought largely to understand

it at these stabilization meetings, not only those that I held, but many others held over the Northwest—they realize that the Norris-Sinclair bill will bring them the relief they desire.

Senator HEFLIN. You think the average well-informed farmers prefer that to the Gooding bill?

Mr. BOWEN. Yes. I want to say in that connection that in the city of St. Paul a year ago a price-stabilization meeting was held and that a prominent dairy farmer of the State of Minnesota, the biggest dairy farmer in that State, in objecting to the provisions of the Gooding bill, said that if it passed and the Government guaranteed the price of $1.75 a bushel on wheat he would sell every dairy cow he had on his farm and put every acre of his land in wheat, and a lot of wheat farmers all over the country say that would be the result of a guaranteed price on wheat.

Senator RALSTON. Did you cover the question the other day of diversified farming?

Mr. BOWEN. I did not, no.

Senator RALSTON. Do you have an opinion as to the advisability of the Geovernment furnishing money to the farmers in order to encourage them to adopt diversified farming, buy cattle and establish dairies?

Mr. BOWEN. I do. I think it would be of very positive benefit to the exclusive wheat and exclusive corn belts to go into dairying as rapidly as possible to a limited extent, and I believe that anything that can be done either by the Government or by cooperative organizations to bring that about will help the farmer. It is not the remedy for the condition of the farmer. It helps the exclusive wheat farmer, and it helps the exclusive corn farmer, but it is very possible that that can be overdone, and then the dairy farmer of Wisconsin, who makes it his exclusive business, will in years to come be in the same position that the exclusive wheat farmer and the exclusive corn farmer is now, by glutting the market because of the stimulation of that one farming industry.

STATEMENT OF MR. W. W. FITZWATER, PRESIDENT OF THE FARM LABOR UNION OF AMERICA, BONHAM, TEX.

The CHAIRMAN. State your residence and name, Mr. Fitzwater.

Mr. FITZWATER. W. W. Fitzwater. I am from Texas.

The CHAIRMAN. What is your business?

Mr. FITZWATER. I am a farmer.

The CHAIRMAN. In what line? General farming?

Mr. FITZWATER. General farming. Cotton principally.

The CHAIRMAN. Do you hold any official position in any farm organization?

Mr. FITZWATER. I am president of the Farm Labor Union of America.

The CHAIRMAN. How old are you?

Mr. FITZWATER. Fifty-four years old.

The CHAIRMAN. All right. Now go ahead.

Mr. FITZWATER. You want me to state, I suppose, the facts regarding the growing of cotton and marketing it?

The CHAIRMAN. Well, I don't want to confine you. I don't want to outline even what you shall say. I want you to feel perfectly free to go in your own way, and if anything occurs to the members of the committee as you go along, we will ask you questions, but you take your own course.

Mr. FITZWATER. Well, the conditions were such that in the agriculture of cotton in 1920, or about that time, we found it necessarry to organize a farmers' organization to protect ourselves. We are a genuine dirt farmers' organization, and that is what we mean by saying the Farm Labor Union of America, including all the people that work on the farm, whether they own the farm, rent it, or are real hard laborers on the farm.

Our plan is to fix and control the price of the farm products ourselves. For instance, we say in our constitution of the Farm Labor Union of America, in the first article, that the Farm Labor Union of America is strictly and exclusively a business organization, taking our farm products out of the hands of speculators and gamblers and price fixers and fixing the price upon that which is our own at cost of production plus a reasonable profit, as all other business organizations do. The farmers have come to the conclusion that they have a right to cost and reasonable profit, or else they will have to all do, as many thousands have done, quit the farm and go to the city. There is not a business in the United States of America that can exist unless they get at least cost of production, or cost of their business, in other words.

The condition of the cotton farmers in Texas is serious. There are 233,000 tenant farmers, and several thousands of those tenant farmers have become tenant farmers since 1920 because of the fact that they could not get enough back from the products that they produced to pay their taxes and other incidental debts, and their farms were absolutely sold, and tenancy is absolutely increasing all the time.

Now our system, I want to say to you, in price fixing of our own product, runs on this plan. We have county organizations, State organizations, and the National organization. The county organizations are composed of a president, vice president, and six committeemen as a county board. We have our own grader salesmen. We elect them in our county union, select them and elect them from the farms. We then place them in the agricultural colleges and teach them for the necessary time, and then we turn our products over to these grader salesmen, and they sell it.

Take cotton, for instance, which is the leading crop of Texas now. We have the majority of the cotton counties organized in Texas, besides the other States we are in, eleven in all. The farmers take samples to them, their cotton samples. They take the market, just as the buyer would, and they pronounce the grade and staple, and demand a price that would justify the sale of that particular grade, saving the farmer from paying $15 to $20 a bale for the cotton over and above what they could get in street buying, because when a farmer leaves that to a street buyer, they will undergrade his cotton, they will undervalue it in price a cent or two at least, and then sell it on its merits and receive the profit, of course. Now the farmers are getting that.

The CHAIRMAN. They sell it, as I understand it, for the same price that the commission man would sell it if he bought it. They make

their profit by doing away with undergrading and middlemen's profits?

Mr. FITZWATER. Yes, sir; you are correct.

Now that is not the conclusion yet. We have not reached the remedy that will cure the farmers' ills in that line, because as long as we have to sell at a price fixed by the cotton exchanges and speculators and price fixers the farmers' condition will not be remedied. I might illustrate that by this. It has been figured at times by the farmers—and they are the ones to figure, because they are the ones who know—that since 1916, when land began to get higher, labor higher, taxes higher, implements higher, stock higher, feed and food higher, that it will cost 20 cents a pound to produce cotton when it produces a third of a bale to the acre. That is, when three acres, in other words, produce a bale of cotton, it will cost $100 to produce that bale. That is equal to 20 cents a pound. Now, to get your cost on that basis you have to secure 20 cents. That would merely give us back the cost, and when a person is getting the cost of his business, of course that business is self-supporting on that basis, but if he does not get the cost, naturally if he stays in business he has got to borrow the money to run his business. That is the condition of the farmer year in and year out, that he must go and borrow money the first of the year to produce the crop unseen, not yet planted. That condition proves the fact that he does not get cost.

Now this year, for instance, if we had sufficiently organized the farmers to fix the price ourselves, a condition of this kind would have prevailed:

It is acknowledged by all agriculturists of the Cotton Belt that it took on an average 6 acres to produce a bale of cotton in this last year, 1923. On the basis of it taking $100 to produce a bale of cotton on 3 acres, it would naturally cost $200 to produce a bale of cotton on 6 acres, because there is so much more ground to cultivate to make that bale of cotton, as much again in labor, as much again in food, as much again in land to produce it, etc., so the farmers this last year should have obtained at least 40 cents a pound for cotton to even have gotten the cost back. Now our organization, gentlemen, is one that fixes the prices annually, as conditions vary, of course. Some years it does not cost as much as it does others.

So let that cost be what it will, here is the way we do it or that is, at least, this is the way we are intending to do it, with the stage set this summer, if conditions continue like they have. Cost blanks will be distributed through the counties and the cost of the labor, the cost of the implements, the general repair of the implements, the taxes paid on the land, the food and feed bill and the general overhead expenses will be figured. Now, these blanks will be turned in, printed for each county. We will figure that average cost for the county, let that cost be what it may, then we demand a reasonable profit above that cost. That is the only way under the shining sun that the farmer will ever own a home. There must be relief for the tenant farmers or they are going to quit, and also the landowners are going to quit, and will have to, if the condition is not remedied. Now, let that cost be what it may, we figure it out in the respective counties. Then we will demand a reasonable profit over and above that. Now reasonable, get that. Not an unreasonable one, but a reasonable profit on top of that. Say, for instance, to get the cost back and $25 or $30 a bale over and above that. That would give him that profit in order to put it on a home, take the cost that he receives back and produce another crop, just like a merchant when he sells his goods takes the same profit and stocks up his store again, and takes the profits, on his goods and builds himself a home and pays for it. It is on the same principle exactly.

Now the way that is done, then, is each county gets its costs, turns its figures in, and they will elect a delegate to meet at the capitol of each cotton State. These delegates, when they meet at the capitol, will present the figures that each one's respective county has fixed. When all those delegates meet they will elect a temporary chairman and secretary. When the delegate from my county, for instance, turns in his name and figures, and the county he represents, that will be tabulated, and each delegate will turn in the price of his respective county and State, and that will be tabulated. When all the delegates have turned in the prices that they have fixed, then those figures, or the leading figure will fix the price of that respective State.

The CHAIRMAN. You mean the highest figure?

Mr. FITZWATER. Yes, sir; the highest figure. That is, if the majority of the figures, for instance, were 30 cents, that is the way it will go. If it was 35 cents, that is the way it will go.

The CHAIRMAN. That is not an average?

Mr. FITZWATER. Yes; that is just an average.

The CHAIRMAN. I want to get your thought clearly. You have given us the idea, or at least I have gotten the idea, that of all these figures they would pick out the highest. Is that the idea?

Mr. FITZWATER. No; the majority would rule. We aim to have it democratic, and take the figure that is in the majority. It is like this——

The CHAIRMAN. But suppose there would be no figure that would be in the majority?

Mr. FITZWATER. If more of the counties said 30 cents, that is the way we will figure. If more counties said 40 cents, that is what it will be.

The CHAIRMAN. But suppose there were more counties that say 35 cents?

Mr. FITZWATER. Then that figure is what it will be.

Senator SMITH. You mean whatever the greatest number of counties set, or the figure that the highest number of counties set, that is the figure you will take?

Mr. FITZWATER. Yes, sir.

Senator CAPPER. That would be the highest price?

Mr. FITZWATER. Yes, sir.

The CHAIRMAN. Let us get that. Suppose, now, it was discovered that there was a State having a hundred counties; that 25 counties fixed the price of 40 cents, and 50 counties fixed the price at 30 cents, and 20 counties fixed the price at 35 cents. What would be the price?

Mr. FITZWATER. Forty cents.

The CHAIRMAN. Suppose there was only one county that fixed it at 40 cents?

Mr. FITZWATER. Well, that would be the price.

The CHAIRMAN. In the other case there were only 25 counties that showed a cost of 40 cents, and there were 75 other counties in the State. Would you fix that at 40 cents?

Mr. FITZWATER. If they are inside the union. We are not talking of nonunion counties.

The CHAIRMAN. I understand that. Let me state it again. You have 100 counties in your union. Now, of these hundred counties, 25 fix the price at 40 cents, 50 fix it at 30 cents, and 25 fix it at 35 cents. What is your price?

Mr. FITZWATER. Thirty-five cents; the highest figure.

The CHAIRMAN. The higest figure is 40 cents.

Mr. FITZWATER. Well, the majority figure of the counties. If more counties said 40 cents, that is the way it would be. If more counties said 35 cents, that is the way it would be.

The CHAIRMAN. In this case there are 50 counties that say 30 cents, 25 counties that say 40 cents, and 25 counties that say 35 cents; just half the counties fix 30 cents. That is the lowest figure fixed.

Mr. FITZWATER. I believe I get your idea. The leading figure, that is, the figure of the majority, will fix it for that respective State, and it stops there. That does not fix it all over the Cotton Belt.

The CHAIRMAN. That fixes it in that State?

Mr. FITZWATER. In that State.

The CHAIRMAN. That is just what I am trying to get at. In the figures I have given you, what would be the price of cotton in that State? Would it be 30 cents, 35 cents, or 40 cents?

Mr. FITZWATER. It would be 40 cents if the majority of counties said that.

The CHAIRMAN. But there has not been a majority of the counties that said it. Just take those figures and tell us what it would be. There has not been a majority anywhere, as I look at it.

Senator SMITH. There would be 50 of 40 and 35 together, and 50 of 30. That would be just an even balance. How would you arrive at it then?

The CHAIRMAN. That is what I am trying to find out.

Senator SMITH. I was stating it as you stated it. You would have 50 of 40 and 35, and 50 of 30. Then there would be no majority. Just how would you arrive at it? Would you add them up and divide them?

Mr. FITZWATER. We would find out which is the leading figure. I don't understand your proposition.

The CHAIRMAN. Let us put it again, then. We will say you have 100 counties, for illustration, in your State.

Mr. FITZWATER. All right.

The CHAIRMAN. Fifty of those counties have fixed the price of cotton at 30 cents, 25 have fixed it at 35 cents, and the other 25 have fixed it at 40 cents. Now what is the price of cotton in that State? That is the question.

Mr. FITZWATER. Well, I don't know how we would do under that condition, but that condition would not happen once in 30 years.

The CHAIRMAN. Would not that condition happen nearly every time? You would have it more complex than that a good deal, because you would have a few counties this and a few counties that, etc.

Senator KEYES. He said it was the average.

The CHAIRMAN. He has distinctly said it was not the average.

Mr. FITZWATER. Yes. We get the average.

The CHAIRMAN. Oh; you do?

Mr. FITZWATER. Yes.

The CHAIRMAN. Well, that is very simple.

Mr. FITZWATER. Well, that is what we expect to figure it on, the average.

The CHAIRMAN. If that is the case, if you add 30, 35, and 40 together and divide them by 3, that would be simple enough.

We have your idea now. Just go ahead.

Mr. FITZWATER. They meet on the same day, then they will elect a delegate to go to the national convention, one delegate from each State, presenting the figures from each State, and then the figures that are the highest on the average, just like every State, determine it all over the Cotton Belt. They then sign this contract; they all sign up, then all delegates from every State will sign up this final decision, and take it back then to the respective States and report to the State secretary, and the State secretary to the county secretary and then the county secretary to the local, and then we have this price fixed.

The CHAIRMAN. Now, then, having fixed that, you have fixed it below the cost for some farmers?

Mr. FITZWATER. All right. We take the average. It might be it will cost this one more, and it might be next year the others. It is on an average. That is all we can do. We haven't any other way to do it.

Now, here we come with our marketing. That is the way it is. After this price is fixed, then one of our ties on the cotton bale—you understand what I am talking about. You see there is a number of the bale on one of the ties. There is now what we call in our constitution a white metal tag on one of the ties. We will still use that. There will be a black metal tag on every other bale. I take my first bale of cotton to the gin, and I use that white buckle. That is for sale. I take my second bale of cotton to the gin, and I use the black buckle, and that is not for sale until the first of the following year. I take my third bale of cotton to the gin, and that is the white buckle, and that is for sale, and I take my fourth, and that is the black buckle, and that is not for sale until the first of the year. marketing half of the cotton the first five months of the marketing season, and this second half, the black buckle cotton, goes on the market at the same price the first of the year, with the understanding that there will be 1 cent a pound added on all the cotton not sold and in the hands of the Farmers' Union of America on and not later than February 20 of each year. Now the object of that, gentlemen, is this, that that will force the spinners to get their supplies of cotton before this extra 1 cent a pound goes on. That is one idea. They will lay in their supply before this extra 1 cent a pound or $5 a bale goes on this last half of the cotton that is held over.

Senator KENDRICK. I must leave to attend another committee, and I would like, if it would not interrupt you, permission to ask two or three questions.

The CHAIRMAN. All right, Senator.

Senator KENDRICK. Would it interrupt you?

Mr. FITZWATER. No.

Senator KENDRICK. How long since your organization was initiated?

Mr. FITZWATER. In the fall of 1920.

Senator KENDRICK. And have you followed this plan of marketing each successive year since that?

Mr. FITZWATER. You mean this that I am just now stating?

Senator KENDRICK. Yes.

Mr. FITZWATER. No; we haven't got organized. We are following this plan: We take the other fellow's price until we get sufficiently organized to dominate the situation ourselves. We have 70 organized counties in Texas and in other States but, as I said a while ago, we have our agents already established, under the control of each county board, the sales agent that grades this cotton, pronounces the grade and staple, and demands the price that is fixed on the exchange that that grade justifies.

The CHAIRMAN. That is what you are doing now?

Mr. FITZWATER. We are practicing that now.

Senator KENDRICK. In other words, you are perfecting the machinery of operation?

Mr. FITZWATER. Yes, sir.

Senator KENDRICK. In your plan do you provide for any such contingency as a failure to sell this product at the prices which you yourselves name?

Mr. FITZWATER. I am just getting to that now.

Senator KENDRICK. That is why I was asking. I wanted to get that before I left.

Mr. FITZWATER. I am just on that point now. That extra 1 cent that is to be added to the cotton before the planting season begins is, as I stated, to force or to be an inducement for the spinners to get their supply of cotton before that date arrives. Also on that date there is a report of the local secretaries and State secretaries to the national secretary of the Union as to how much cotton we have unsold at that time. Now the amount on hand unsold at that time governs the acreage to be planted. If we have more cotton than the spinners want, we cut the acreage and create a demand for the cotton that we have on hand. We don't want to still keep working and working and working and no sale. We will cut the acreage sufficiently to enable us to maintain the price that is already fixed on that that we already have. The principle is the same as applies to all other business organizations, such as the oil industry. They have shut down the oil wells all over our State, and I suppose the other States, and quit pumping and producing oil, quite a while back, because oil got cheap.

Senator KENDRICK. The plan in purpose is commendable, there is no doubt about that, and it is simply carrying out a principle that has already been applied in every other line of manufacture and production that I know anything about. The question that I was trying to determine was whether or not you would, through lack of resources, or otherwise, find it impossible to hold your people in line and make them refuse to sell if the market failed to absorb the product at the price you had named. Now can you do that?

Mr. FITZWATER. I will answer that question in this way. We will need assistance at the beginning of this deal. When we first stage the program we will certainly need some aid to put that over, but we will, say, after two or three years, with the aid to put this over, or to dispose of this surplus, this business, like other businesses, will become self-supporting, you see.

Senator KENDRICK. In the control of production?

Mr. FITZWATER. In market control.

Senator KENDRICK. Under a system of control of production?

Mr. FITZWATER. Yes. We have that in other lines of business. If we once or twice, or at least three times, get the cost of producing the cotton and a reasonable profit, then our business will become self-supporting, and we won't want any bankers' aid or any Federal aid or anybody else's aid, because that business is self-supporting. But now we will have to have something like that aid to put that over until we once or twice secure this cost of production plus a reasonable profit.

Senator LADD. Do you find any strong organized opposition from business generally?

Mr. FITZWATER. No. Of course speculators will naturally oppose it.

The CHAIRMAN. In order to make that plan a success, you would have to have practically all or at least a very large per cent of the producers in your organization, would you not?

Mr. FITZWATER. Yes, sir.

The CHAIRMAN. How would you get them in?

Mr. FITZWATER. They joined this organization on the doctrine that I am telling you. The only thing in the world is to put this thing over once, show them that they can get what they are not getting now, and we will get them in the organization. We have to date 125,000 members in Texas, besides our membership in other States. We have never gotten anything out of organization so far. It is the biggest organization to-day in the United States. It is the only real dirt-farmers' organization we have ever had, that is all, because the farmers themselves organized it, wrote their own constitution, and from the highest to the lowest official they are all practical dirt farmers, and there is nobody else in it.

Senator CAPPER. What percentage of the cotton growers are now in the association?

Mr. FITZWATER. I guess two-thirds of them in Texas. You see there is lots of Texas that is not producing cotton, but we have the best populated and most productive cotton counties in the State organized and well organized.

The CHAIRMAN. Now, you have to have another thing, I presume, and that would be the financing of this proposition. In other words, the farmer who had to borrow money on his cotton, if it was held that long, the association would have to do that for him. Do you have some arrangement of that kind?

Mr. FITZWATER. Just wait until I get over to that. That is the same plan that would apply to any other crop—tobacco or wheat—and is the only salvation, we claim, for agriculture of the United States. Agriculture is in bad condition all over the United States, as you well know, and in our opinion as real, practical farmers, we are certain that this is the only redemption of the farmer. The wheat man can do the same identical thing.

Senator HARRELD. In Oklahoma, now, where I come from, we have a Cotton Growers' Association. Perhaps you have that in your State. Is there any coordination between these two organizations or any conflict?

Mr. FITZWATER. Well, I don't think that is the remedy, that is all.

Senator HARRELD. But is there any coordination or any conflict, so far as you know?

Mr. FITZWATER. No; no more than the farmers in my section don't accept the plan, because we think this is the best one.

The CHAIRMAN. You could not apply this, of course, to an agricultural product like potatoes or fruit?

Mr. FITZWATER. Here is what we are doing with that. That is what you might term perishable products?

The CHAIRMAN. Yes; that is what I mean.

Mr. FITZWATER. Here is what we are doing. For instance, here is the producer here, and here is the consumer here, meaning all you men, and everybody else that consumes the farmers' products, all the laboring people, and every consumer. Here is the middleman that takes a profit right away.

The CHAIRMAN. One of those middlemen is the railroad, which takes out the freight.

Mr. FITZWATER. Well, yes. Here is the proposition. I will explain that to you to show you the difference. I will be at New York, Philadelphia, St. Louis, and other big cities. I will be everywhere in the United States. We are putting on a campaign of organizing the consumers in this State to buy direct from this producers' agency, the farmer, and this is where this will settle the proposition, the whole thing, and we will take, for instance this illustration, because I want to illustrate this to you, to show you what it means. You know many farm organizations are organized to get their stuff cheaper from the other farmers. That is not the aim of the Farm Labor Union. That would not be right to rob Peter to pay Paul, you understand, but here it is. Now I am a hog raiser. I will tell you this. I have produced hogs, produced cotton and produced corn. I shipped a carload of hogs in 1916. I sold my hogs, we will say, last spring, the 1st of May, for $7.35 per hundredweight. They average 203 pounds, which is the type that brings the top, and that approximately brought $15 a head for the hogs. I came back home, and I met a railroad man, the conductor on the train I shipped the hogs on. I rode with the train to the market at Ft. Worth, Texas. He asked me when I came back, what I got for my hogs. I told him. He says, "Well, sir, I will tell you what I did this morning," He said, "I went down here to a grocery store and I paid $7.50 for a 10-pound ham. Now," he said, "If I had gotten the other ham I would have paid that merchant as much as you got for the hog." And he would, absolutely. Two hams out of any one of those hogs would have made 10 pounds, and that would have made $15, or as much as I got for the hogs.

What the Farm Labor Union does is to organize buying societies in the cities and divide this spread. There were the middlings, the two shoulders, and all that go with the finished product of the hog, that these fellows are dividing amongst themselves. Now, what we want to do is to divide that product, and the profit that they take, between this producer and that consumer.

I might illustrate again, now, what we mean and what we are going to do if we are going to put this over, because we need the help of the consumer, because it is important to him as well as to us that this program shall be put over. The farmer in the Rio Grande Valley sold his cabbage for $7 per ton. The freight cost $28 per ton and the icing cost $7, making a total of $42. The same cabbage sold for $140 a ton to the consumers.

Now, the aim of the Farm Labor Union is this: There was $98 that those fellows got. What we want to do in a shipment like that to the city is to divide that $98, less expenses, making $49 more to this farmer and producer, and this fellow over here, the consumer, will get it for about $49 less than he has paid, dividing the profit between the producer and the consumer. The farmer would have to do this, or there would be no use in our coming up here to get legislation to adjust all these things and make it possible that this plan shall be put over for the benefit of the people of the United States of America. It is with the farmer. I read a piece not long ago in the declaration of President Coolidge, where he stated that the farmers would have to solve their problems themselves. You remember that. We think this plan will absolutely do it. We beat Mr. Coolidge to it just a little, because we organized it two or three years ago.

Senator KEYES. You agree with him?

Mr. FITZWATER. We agree with him; yes.

You might ask this question, or you might have it in your mind to ask, and I will answer it for you: How are we going to cut the acreage, if we have got an oversupply? We say in our constitution—and every farmer is obligated and obligated strictly; we have got an obligation with teeth in it—that if he produces any more acreage than has been determined by the union, based on this surplus that is left over before planting time, as I said awhile ago, then he donates the extra acreage to the union. Of course he is not going to do anything where he has got to do it free.

The CHAIRMAN. But how will you force him to do that?

Mr. FITZWATER. Here is the idea: When we get this organization, he could not sell his cotton, because there will be just a few scattered farmers around that have not got any cotton except a little here and there, and nobody is interested in what they have got, but you see the majority of the farmers will dominate the price. So, if he got the same price that we got, he would not have enough, and all those farmers together would not have enough, to hurt the market anyhow, so far as that is concerned.

Another thing, gentlemen, that I want to call your attention to, is this: There has never been much of an overproduction, but it has practically been an underconsumption of farm products. If you understood the condition of the farmers, gentlemen, if you could visit their homes and see their condition and situation, the clothes that they wear themselves, their bedclothes, and what they eat at the table, and see the real financial condition of all the producers of this country, why, then you could understand more what I am telling you.

Senator HARRELD. Might I ask a question right there? You say it is an underconsumption. What is causing that? Are consumers going on a strike because of these prices?

Mr. FITZWATER. No.

Senator HARRELD. What is the cause of it?

Mr. FITZWATER. Because the purchasing price of the farmer is destroyed, and he is not able to buy the necessary supplies himself that he does not produce on his farm.

The CHAIRMAN. If you are not going back again to it I want to ask you a question or two about the way you are going to regulate this production the next year. As I understand it, when you come along to the 20th of February——

Mr. FITZWATER. We are not going to stage that until we get organized to fix this price, because we don't want to stage a thing we can't put over.

The CHAIRMAN. I know, but that is the ultimate program.

Mr. FITZWATER. Yes, sir.

The CHAIRMAN. And you will have to do that to make this a success.

Mr. FITZWATER. Yes, sir.

The CHAIRMAN. The 20th of February comes along, and the men in charge of it find that there has been too much cotton produced, you have a surplus, so you want to reduce the acreage next year.

Mr. FITZWATER. Yes.

The CHAIRMAN. They say how much it should be reduced, and they send that word to the State, and the State to the counties, and they send it to the locals, and the local organization to the individuals.

Mr. FITZWATER. Yes, sir.

The CHAIRMAN. Suppose you are in such a local organization, and word comes to you, "You have got to reduce." They tell you to do that. If you had ten acres of cotton last year they say, "You must only produce eight."

Mr. FITZWATER. Yes.

The CHAIRMAN. And if you had eight they say you shall produce seven, and so on?

Mr. FITZWATER. Yes, sir.

The CHAIRMAN. The point, first, with me, is how you are going to enforce it, and, second, I might make complaint in that case and say, "Here, I am just beginning. I didn't produce last year, didn't farm a third of my acreage, because I was not able to do it, and unless I can produce a little bit more, I am going to fail." How are you going to remedy a situation that might arise of that kind?

Mr. FITZWATER. If a fellow out here in the locals refuses to reduce his acreage we will put him out of the union.

The CHAIRMAN. Yes; but suppose I am one of them, and suppose I am able to show to you that I have got this much of a farm, and I have just begun?

Senator HARRELD. Or I was sick last year.

The CHAIRMAN. Yes; and I have got to produce a little more to live, and I ought to be allowed to increase instead of decrease. Now, I might be able to establish that, and show that that would be absolutely true.

Mr. FITZWATER. If he is sick or anything of that kind we will take care of him. If abnormal conditions struck him we will take care of that fellow.

The CHAIRMAN. You will let him produce a little more?

Mr. FITZWATER. Yes, sir.

Here is another thing that will happen. I am not uneasy, gentlemen, about a farmer like that. When he gets his cost of production and a reasonable profit he is going to stay in and get it. That is all there is to that. It is common talk among the people of the United States of America that a farmer will not stick. The fact of the business is that he has never had anything to stick to. That is the trouble. He has always been organized by somebody else, and he never got any results.

Senator HARRELD. How are you going to handle the man who will not join the locals?

Mr. FITZWATER. Who will not?

Senator HARRELD. Yes.

Mr. FITZWATER. What we are doing right now is bringing them right in, and bringing them in by the thousands. That is what we are doing right now. Suppose we get two-thirds of the farmers, we will say, and the Farm Labor Union members are getting just exactly the cost of production and a reasonable profit, and we are beginning to look like decent fellows. You could not tie those fellows out. You need not worry about that. That will take care of itself.

Senator HARRELD. But suppose in the meantime they double their production, how are you going to stop that?

Mr. FITZWATER. We will drop them out of the union.

Senator HARRELD. But they have not joined the union.

Mr. FITZWATER. We are not a particle uneasy about a man going out here and doubling his work and getting nothing for it. They have done too much of that now, and they are tired of it. The time has come when they are going to get something for their labor or they will quit.

Senator HARRELD. When you get organized you will be the ones that are going to handle the cotton, and if he stays out he will have to sell it to the speculator?

Mr. FITZWATER. Yes, sir.

Senator HARRELD. You are going to make it to his interest to come in?

Mr. FITZWATER. Yes, sir. That is the drawing card.

Senator HARRELD. You will not handle anybody's cotton who is not a member?

Mr. FITZWATER. No, sir. That is the drawing card. He will have to join to get in.

Senator JOHNSON. Do you take any business men in your organization?

Mr. FITZWATER. No, sir; only farmers.

Senator JOHNSON. We are organized in the State of Minnesota, and we take into our organization every one on the basis of helping us, the same as you do.

Mr. FITZWATER. This helps the outside man who is not a producer, as I have said. This cooperation between the producer and the consumer naturally helps everybody, but nobody but a farmer is eligible. He can not join the association. I can not join the Bankers' Association because I am not a banker, and they will not take me in. I can not join the American Railway Association because I haven't any railroads.

Senator JOHNSON. I know that, but they are interested in your purchasing power. They are interested in getting the farmer in a better condition, and that is the reason we take them in. We have taken them in because they are interested, and it is to their welfare that the farmer should be benefited by this organization, and they take them in for that reason.

Mr. FITZWATER. We believe in everybody being organized, gentlemen, but let everybody be organized in his own walk of life, in the business that he is in.

Senator CAPPER. Are the business men in your section in favor of your plan?

Mr. FITZWATER. Yes, sir. They were not when they didn't understand it, but since they have come to understand it they are getting friendly.

The CHAIRMAN. I should think everybody would be friendly to that kind of a proposition except the middlemen that you put out of business. Of course they would be opposed to it.

Mr. FITZWATER. Oh, yes; naturally.

Senator JOHNSON. What I mean is the small business men, townsmen, professional men, are joining in about the same proportion that the farmers do.

Do you know Mr. Petite?

Mr. FITZWATER. Petite?

Senator JOHNSON. Yes. Do you know him?

Mr. FITZWATER. No; I am not personally acquainted with him. I know of him.

Senator JOHNSON. He made a statement over at the farm meeting we held in St. Paul last spring, when he talked about this cotton organization in Texas—I don't know as he referred to yours or a similar one—but I asked him what percentage of the cotton men in Texas composed the organization there, and he said about 10 per cent. He didn't refer to your organization then?

Mr. FITZWATER. No.

Senator JOHNSON. I understand he is a very prominent farm leader.

Mr. FITZWATER. Yes; the Farm Bureau.

Senator JOHNSON. He is in the Farm Bureau?

Mr. FITZWATER. Yes. He is not in now. He is out. In some way or other he got out lately. Last fall, I think.

Senator CAPPER. Is your organization in any way associated with the farmers' union of which Charles Barrett is president?

Mr. FITZWATER. No, sir.

Senator HARRELD. Or connected in any way with the farmers' union that Mr. Simpson is connected with?

Mr. FITZWATER. No, sir.

The CHAIRMAN. That organization and the one referred to by Senator Capper is the same. Simpson and Barrett are in the same organization.

Have you anything further you want to say?

Mr. FITZWATER. Well, that is just about the plan.

The CHAIRMAN. Is that all you want to say to us?

Mr. FITZWATER. I think that is all.

Senator CAPPER. Have you any more suggestions as to legislation down here at Washington that will help the farmers?

Mr. FITZWATER. As I stated awhile ago, gentlemen, when we came to this point as to taking care of the producer that produced this cotton, until we can have at least three years, we will say, in which we can get the cost of production and a reasonable profit, we will certainly need some help in order to demand that and get it. When we get this at least that many times, the cost of production—that is, for the three years, we will say—this will automatically be self-supporting, and we won't need any Government assistance. We have been producing the wealth of the world. I noticed a headline a few days ago in the Dallas News where there had been $8,000,000,000 worth of farm products already sold, but the farmers have not got it. They have been able to keep only a small part of it. They will have to march up and borrow money to produce another crop that is not in sight yet. If they would get the cost back and a reasonable profit they would not do that, and their business will be self-supporting.

Senator CAPPER. Where are you going to get your aid for the first two or three years? That is the point.

Mr. FITZWATER. We believe like this: Of the bills that have been presented to the law makers of the United States, we believe that the Norris-Sinclair bill is the best relief in sight, that the Government pay for this cotton, pay the farmer, and then resell it at that price that is fixed.

Senator KEYES. The price your organization fixes?

Fr. FITZWATER. Yes, sir. Sell it at that price—pay for all of this cotton and hold it. We have some farmers, if you analyze farming to-day on the farm, that will be able to take care of themselves, but those distressed farmers would like for that to be bought and then resold for that same price.

Senator LADD. If you had a surplus beyond the needs of this country and had to sell it abroad, and the price was not as high abroad as you had fixed, then what would be the result?

Mr. FITZWATER. We will make up for that by reducing the acreage and putting the price up.

The CHAIRMAN. Of your cotton crop, there is a very large percentage that has to be exported.

Mr. FITZWATER. Yes; we understand that.

Senator HARRELD. Now, you have got to the point, and that is the reduction and holding the acreage down. Our people seem to be afraid that you can not do that. That is the main point.

Mr. FITZWATER. We can do that. We expect to do that satisfactorily.

Senator HARRELD. You fix the price. Now that is the first thing we have to do by this legislation, is to fix the price of cotton, and if we do that they will go to raising cotton, and there will be an enormous surplus unless your plan will hold down the production. That is the view some people take of it.

Mr. FITZWATER. Then there would not be any union at all, because that is contrary to the Farm Labor Union. We would not allow that.

Suppose the Norris-Sinclair bill was passed and the Government takes this step. If they did that, the same body that puts this bill

through can repeal it, and just leave the farmers where they are now. They would have it in their power to do so, and ought to do it.

Senator HARRELD. I am simply stating what the theory is, not my own views, to determine whether you can control production.

Mr. FITZWATER. That is where it is.

The CHAIRMAN. The main object of the bill is to eliminate the profits of middlemen, and that is just as much in the interest of the consumer, or intended to be, as it is in the interest of the producer.

Mr. FITZWATER. Absolutely as much. They will get as much as the farmer will.

The CHAIRMAN. There is one thing that bill does not strike at very much, one of your middlemen, and that is the railroads. Have your people any remedy for freight rates, or do you think they are too high?

Mr. FITZWATER. Here is what we do, gentlemen. We allow every business—the Farm Labor Union of America allows every other business just what the farmers demand, and that is a reasonable profit on their business, but we think that this Esch-Cummins law permits an unreasonable profit that the railroads get. We would like to have that bill entirely repealed. The farmers feel that way generally.

The CHAIRMAN. What is the remedy for the railroad situation?

Mr FITZWATER. The remedy for the railroads would be on the same basis I am telling you: Whatever their price was, allow them a reasonable profit on the real business, and not on the watered stock, something they haven't got. We are not asking for a profit on something we haven't got. We only want a profit on the real business, and not on something superfluous, and I don't believe that any other business ought to have dividends on some superfluous business, or something they have not got.

This freight rate hurts the farmer worse than anybody, because when he buys something that is shipped into town he pays that extra freight, and when he sells something to be shipped out that is deducted by the buyer, you see, when he buys his product.

The CHAIRMAN. It hits him both ways?

Mr. FITZWATER. Hits him both ways, and we would just like to have that naturally knocked off of the record entirely, and let some of their friends then fix up a bill that would give them just recompense.

The CHAIRMAN. When their friends fix up a bill that is not the result, as a rule.

Mr. FITZWATER. No; it is always the contrary. In other words, let somebody that is real democratic, and who is willing to allow everybody justice, fix up one.

The CHAIRMAN. Well, if that is all, who is the next witness.

Mr. MARSHA. Mr. Hilliard.

STATEMENT OF MR. A. M. HILLIARD, PRESIDENT TEXAS FARM LABOR UNION, FORT WORTH, TEX.

The CHAIRMAN. State your name and residence, Mr. Hilliard.

Mr. HILLIARD. A. M. Hilliard. I am State president of the same organization of which Mr. Fitzwater is national president.

I just want to mention a few things that he left off, that I would like to discuss.

The CHAIRMAN. You are president of the Farm Labor Union?

Mr. HILLIARD. Yes, sir.

The CHAIRMAN. Of the State of Texas?

Mr. HILLIARD. Yes, sir.

You understand the conditions. Mr. Fitzwater has gone over the conditions of the farmer in a nice way. The farmers of Texas are good business men, because they are the only people in the world, I believe, that can go broke every year and stay in business. But we have gone broke every year handling cotton, and consequently we were sent here, the State of Texas, with 125,000 farmers, sent me up here to ask Government aid, to ask for the adoption of the Norris-Sinclair bill, because we believe that is the nearest thing that we can get to what we need. They have sent me up here just merely to ask that this bill will be put through to aid us in the handling of our cotton crop. Now, then, that is that. That is the problem in a nutshell.

Now, then, you go through statistics, and you see that the 1922 crop of the farmers brought about $7,000,000,000, and it was resold out to the consumer at about $22,000,000,000. There is an excess in there of about $15,000,000,000. It seemed to me like that should be divided up between the consumer and the producer, and yet both get more out of it. We lack resources. That is the reason we are here. We lack resources to get this price on this cotton or to hold this cotton. I believe if the Government was behind this business to aid us in holding this cotton off of the market, or if you put this cotton in bonded warehouses, or something of that nature, where we could get the money on this cotton, it would aid us materially. Some of our people just can't hold it off of the market, because they are not able to do it. When a man makes three or four bales of cotton and has got seven or eight children and a wife, and living on rented land at that, he has just got to have some money from somewhere to get by on, and until we get in a better shape than the southern farmer is in now he needs this assistance.

We could go on here and show you the price of our farm products in various ways from the wheat, the cabbage, the potatoes, etc., what we actually get for them, and what they actually bring in other places, because we have taken the freight rates, and we have chased up and know exactly what is being made off of this cabbage and these potatoes and this cotton, etc., but at the same time you have got that, or can get it, just as well as I can tell it to you, without my going into it, I think. The Norris-Sinclair bill might not be just exactly what we want. Some might say, "If I had written the bill it might have been just a little bit different."

The CHAIRMAN. We would be glad, right on that point, to have suggestions of amendment that you would like to make.

Mr. HILLIARD. There is one amendment I would like to see added to that bill. It gives the President the power to appoint the three men as the directors.

The CHAIRMAN. Yes.

Mr. HILLIARD. I believe that it ought to be changed. The President might have the right to appoint one, but the people in some way another.

The CHAIRMAN. Now, you are getting to what I think is a very just criticism, but I have given it a great deal of attention, and I have not been able to solve it. I would like to have a practical suggestion along that line, because the men who run this thing can run it into the ground in such a way that it won't do any good. There is not any question about that.

Mr. HILLIARD. And I believe if that is amended so that the President might have the appointing power of one, and possibly I would be willing to leave it up to our Congressmen and Senators to appoint the other two.

The CHAIRMAN. Now, then, would that be any better?

Mr. HILLIARD. Yes; it would be some better. Let them be elected in that way, in some way or other. I don't know just how. I want you to take that under consideration.

The CHAIRMAN. I have thought about it ever since the bill was drawn. I knew its weakness in that respect when I drew it, but I have never had from anybody a suggestion that seemed to be practical as to how to remedy it.

Mr. HILLIARD. That is the only thing in that bill that I know that I would even offer a suggestion on, and I would not know how to go at that just exactly. That is getting this board of directors. Another thing: There might be another clause stricken out of this bill. That is the one putting branch offices in foreign markets and other places. It might give too much power to this board. That is what I am talking about.

The CHAIRMAN. To begin with, this board has got to have an awful lot of power or it will never be able to meet the situation.

Mr. HILLIARD. That is the truth.

The CHAIRMAN. And don't you think one of the important functions would be to look after the sale of these nonperishable products in foreign countries—your cotton, particularly?

Mr. HILLIARD. Yes; that is true; and wheat, particularly.

The CHAIRMAN. Yes; although we consume a larger proportion of our wheat crop than we do of our cotton crop.

Mr. HILLIARD. This Norris-Sinclair bill comes the nearest to solving our difficulties than anything we know of.

In the State convention of our association in Dallas, Tex., we have taken this Norris-Sinclair bill in committee, and they reported it out favorably, and we adopted the report and went on record as favoring the Norris-Sinclair bill—125,000 dirt farmers of Texas.

At that time we possibly did not know that I would be up here, but we thought about the amendment, or I did. I thought of the amendment, but I didn't know just how we were going to get that amended. That is the point that I did not get to.

Of course, you all have gone over this matter, and you know just as well about the conditions as we do. With our southern farmers the mortgage system is what has ruined us, because the southern farmer's crop and home is mortgaged, and everything else, and consequently we have got to have some Government aid if we are to save the homes we already have. That is all there is to it. We are gradually losing every year. There are more tenant farmers than there ever were, and they are increasing every year, year by year, in the State of Texas.

The CHAIRMAN. That is a deplorable condition.

Mr. HILLIARD. A deplorable condition, and we can have it helped by Government aid to help us get the cost of production on our cotton. When it costs us 40 cents to raise cotton and we have to sell that cotton sometimes at 20 to 23 cents, and even lower than that, you know that we are losing. Most of our cotton farmers in the South are facing that very condition to-day. Take the man who is renting the land, or a share cropper, and he gets into a hole like that. Where is he going to get out? He can't get out unless he gets the help from somewhere. In war time we made some good crops, and the South got in better condition, but right after the deflation came along and we lost what we had gained the year or two before. If we had the Norris-Sinclair bill adopted and had this gambling cut out on cotton it would be a great help to us. President Wilson said it was a bad thing during the war, and if it was a bad thing during the war it is a bad thing during peace times. If we could cut out the gambling on cotton and wheat and other farm products I firmly believe that the southern farmer, and not only the southern farmer but the farmer everywhere who farms wheat and farms cotton and farms corn, would get back on their feet again.

Senator KEYES. Do you have the boll weevil down there?

Mr. HILLIARD. Yes, sir; we have the boll weevil, and we are glad of it. We don't want any money spent on the eradication of the boll weevil. Just let him go. We need him.

The CHAIRMAN. You mean by that, I assume, that if you didn't have the boll weevil you would have so much cotton it would not be worth anything?

Mr. HILLARD. Yes, sir; it would not be worth anything.

Now then, it is but common sense to me if we could get as much for 5 bales of cotton as we did for 10, it was worth more to us to raise 5 than 10, consequently the boll weevil did a good thing.

Senator KEYES. We have been appropriating a good deal of money to eradicate him, as I understand it.

Mr. HILLARD. Yes; and the money has been spent. The fellows in Texas have got the money appropriated for demonstrations around in some of the towns, but the real farmers have never seen the boll-weevil demonstrations. I have never in my life seen a demonstration of any plan to get rid of the boll weevil, and I have been around a good deal. That is money just junked away, that is all.

FURTHER STATEMENT OF MR. A. M. HILLIARD, PRESIDENT OF TEXAS FARM LABOR UNION, FORT WORTH, TEX. (made January 9, 1924).

Mr. HILLARD. Mr. Chairman, I was only here just a little while before you adjourned the other morning, and I would like to add to my statement.

I am from the cotton-growing State of Texas, and with Texas farmers our worst fault is with our marketing system, because we are in debt, all of the farmers of the South, and the marketing system has forced us to put our crop on the market at far below what it costs us to raise it. I don't mean the dollars and cents we are out

during the year, but we get nothing for our labor, and the way we have to buy the products back and the way we have to sell keeps us in debt all the time.

For instance, this year's crop was sold at from 21 to 24 cents a pound. The major portion of this crop, because it happened to be early and we had to sell at that one market, the Government report and reports from our agricultural department at Austin, Tex., show that it cost us around 40 cents to raise this crop (that is, if we got anything for our labor), and the crop was sold for from 21 to 24 cents.

Also, what we have had to buy in different classes has been pretty thoroughly discussed here this morning.

In the cooperative organization, of which I am State president, we find it very hard to operate without money, although we are organized.

Senator HEFLIN. And if you can't get money you can't operate?

Mr. HILLIARD. That is what it is.

Senator GOODING. Are the bankers and business men giving your organization any assistance?

Mr. HILLIARD. In some places they are and in some places they are pretty hard on us. That is the size of it.

Senator GOODING. Would you have any trouble putting over a farm marketing organization if the bankers and business men of the country would withdraw their opposition to it and would cooperate with the farmers?

Mr. HILLIARD. Well, I don't know. It seems to me like our bankers down in Texas really like to see us stay in debt. I don't know whether they really want to help us or not.

Senator GOODING. The question I asked was if the bankers and business men of the country would cooperate with the farmers would there be any trouble about organizing the farmers of the country into a marketing organization?

Mr. HILLIARD. I don't think there would be a great deal of trouble.

Senator GOODING. There would not be any in my country.

Mr. HILLIARD. There would not be a great deal of trouble, but you can hardly mix oil and water. Of course we have a cooperative organization. It has about 125,000 members. In this Texas branch we find it hard to operate unless we can get a marketing system. That is what we want to do now, to start with our organization, to get the cost of production of our cotton, at least, so that the farmer of the South can get out of debt and have something left. I feel like he is entitled to the same living that anybody else is entitled to, but we have such a spread between the farmer's product and what he buys back. For instance, take the little flouring mill right there in our own State. I was inside of a little flouring mill last spring, and in this flouring mill there was a little merchant there that belonged to our organization. He was getting $2.35 for flour.

The CHAIRMAN. How much flour?

Mr. HILLIARD. For a 48-pound sack. I asked him if he was not really ashamed to charge that per cent on flour. He just went around and got his bills and showed me that it cost him $2.25 laid down in that store.

I was down at Terrell, Tex., 300 miles from there, and I found that same mill's product selling at Terrell, Tex., at $1.60.

The CHAIRMAN. The same flour?

Mr. HILLIARD. The same flour exactly. Where other people are organized they get their price, and we farmers have to pay. That is all there is to it. For instance, you take a bale of cotton and work it up into any kind of product that you have to buy back, and the spread is too great. For instance, for last year's crop, in round numbers, the farmer only got a little better than $7,000,000,000, and it sold for about $25,000,000,000. The price fixers got that for last year's crop.

Senator HEFLIN. You mean the raw material cost so much and the finished product sold for that much more.

Mr. HILLIARD. Yes.

Senator HEFLIN. Well, I heard an expert say that a bale of cotton made into cotton handkerchiefs sells for between $650 and $700.

Mr. HILLIARD. Well, I am certain it will be that high, if not higher.

Senator HEFLIN. And that there are a good many things that it can be made into where the profit is even greater than that.

Mr. HILLIARD. Yes, sir.

Senator HEFLIN. I read a story where a Frenchman made a bale of cotton into fine laces, and he sold the product for $1,004, and at that time the farmer got $45 per bale. That is 9 cents a pound.

Mr. HILLIARD. You take all the products of cotton, and we feel like there is too great a spread.

In a State convention of organized labor and the Farm Labor Union they passed legislation along the lines of the Norris-Sinclair bill. They felt that we had to have some help from somewhere, and they sent me here as a representative to ask this Congress to pass this bill, or a similar bill, that would give the farmer some kind of a show so that he could educate his children and manage to live at all.

Senator GOODING. Mr. Hilliard, the success of your organization is already in the record; that is, what you have accomplished up to the present time.

Mr. HILLIARD. Yes, sir.

The CHAIRMAN. Is that all, Mr. Hilliard?

Mr. HILLIARD. Yes; that is about all that I have to say.

The CHAIRMAN. All right. We are very much obliged to you. We will adjourn until 10 o'clock to-morrow morning.

(The committee then adjourned to Wednesday, January 9, 1924, at 10 o'clock a. m.)

PURCHASE AND SALE OF FARM PRODUCTS.

WEDNESDAY, JANUARY 9, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Ladd, Norbeck, Harreld, McKinley, Johnson, Smith, Kendrick, Harrison, and Caraway.

The CHAIRMAN. The committee will come to order. Mr. Tank is the first witness this morning.

STATEMENT OF MR. JOHN TANK, DAVENPORT, IOWA.

The CHAIRMAN. Mr. Tank, state your name and residence.

Mr. TANK. John Tank, Davenport, Iowa.

The CHAIRMAN. How old are you?

Mr. TANK. Forty-three past.

The CHAIRMAN. What is your business?

Mr. TANK. Farmer.

The CHAIRMAN. Are you connected with any farm organizations?

Mr. TANK. The Iowa State Union of the American Society of Equity.

The CHAIRMAN. All right. We would like to have you go ahead and talk about any of these bills that are pending.

Mr. TANK. Gentlemen, before I express my opinion on these bills I would like just to make a brief statement of the conditions as they exist in my section of Iowa.

I think Scott County is conceded to be one of the best agricultural counties out of our 99 counties which we have in the State.

The CHAIRMAN. What part of the State is it in?

Mr. TANK. It is in the central east portion. I live about 10 miles northwest of Davenport in a section where land in 1919 sold as high as $450 an acre. I leased 160 acres of land in this section in the fall of 1920, about the time harvesting was going on, for a cash rental of $12 per acre. That kind of land that I had was renting anywhere at that time from $12 to $20, depending largely on the class of improvements on the farm. At the time that I signed up my lease the local elevator was paying $2.20 a bushel for wheat, about $1.45 for corn, and hogs were netting us at home about 14½ cents. When I harvested my 1921 crop and had it ready for the market I think

I realized on an average about 87 and 88 cents a bushel for my wheat. Corn was quoted, that is, the price that the elevator offered was 28 cents a bushel, and I don't remember the exact figure for hogs at that time, but if I remember right it was something like 8 cents, or $8 a hundred. My landlord assisted me to the extent of reducing the amount that I was to pay to $10, and extending the time of payment about eight or nine months until I could realize a better price.

I was unfortunate in the hog crop, losing most of my hogs through cholera. I had just a few hogs to sell, so that I had considerable corn to market. I put this on the market in July at 50 cents a bushel at the local elevator. During the season of 1922 our conditions were just a little bit better. I averaged about 92 cents for my wheat and 60 cents for my corn.

Now, it was heralded in the papers three or four months ago that the Iowa farmer was getting $1 a bushel for his corn. I know of one or two cases in my vicinity there where the farmer would pick out a select load of ear corn, haul it about 10 miles to Davenport, and sell it there to the transfer companies or other teaming interests for from 95 cents to $1, but this market, you understand, was very limited, and this was only realized for a period of perhaps three weeks after, I would say, 95 per cent of the corn had already been disposed of, and most largely in the form of beef and hogs.

I do not know just what percentage of our corn is sold in its original state, but I think it runs very small compared to the crop that is raised.

For the past year conditions were just a little bit better, perhaps, in the wheat situation than they were the previous year. I was fortunate enough to get my crop over at a dollar a bushel to the local elevator. This, I think, was paid for about a week or 10 days. It was never that high before, nor has it ever been up there since. I think the average local price at our elevator will run about 92 and 93 cents. A dollar is the highest that has been paid, and it has sold as low as 85 cents.

My success in the hog business was about the same as I had in the previous year. We have quite a lot of hog cholera in that section right at the present time, and besides there is considerable so-called flu, which does not take so many hogs by actual death but it does retard their development. It will set a hog back. A hog will be sick for perhaps a week or two, coughing and having a fever, and it will set him back perhaps a whole month or six weeks feeding, and then it takes just that much to put him back to the condition that he was in when he got sick. I have something like 1,500 bushels of corn to sell at this time. The quality is not as good as it has been in the past two years, for the reason that the frost hit us a little too early. It is not fully matured.

The CHAIRMAN. Are you still living on that same farm?

Mr. TANK. Yes, sir.

The CHAIRMAN. Are you paying the same rent now?

Mr. TANK. I am paying $10 an acre.

During the two years previous we had what the papers called a bumper crop, both in the production of wheat and corn, and the past

year we had about the same size crop of corn, excepting that it was not quite the quality that we had the two preceding years. The wheat yield was cut down considerably on account of winter killing. Our average in that section runs perhaps around 30 bushels to the acre. I think this year, 1923, the average was perhaps closer to 20 bushels. My own crop runs around 23½ bushels by threshing machine measure, and it runs a few bushels over at the local elevator. That is, a few bushels on the whole.

The CHAIRMAN. How many acres in that farm?

Mr. TANK. One hundred and sixty.

The CHAIRMAN. And then you had to hire some help, did you?

Mr. TANK. I was just coming to that now.

The CHAIRMAN. All right.

Mr. TANK. I have two boys at home. I have three at home, but the oldest one is working at one of the local banks at Eldridge, Iowa. The second one is now 18 years of age and the third 16. Besides I have two girls at home and my wife, and all of us have contributed toward the work necessary to the production of farm crops.

I own a piece of property in the city of Davenport, from which I have had an income of about $300 a year during the time I speak of. Besides I have had an income as manager of this local shipping association averaging, perhaps, for the three years about $250 a year. I don't know just what my status is going to be for the past year, but I know that I have paid out $600 in cash money for the years 1921 and 1922 over and above what I have taken in as income from my crops and otherwise. We have not enjoyed the standard of living that we did about seven or eight years previously when I was a wage earner in the city, when all the children were going to school and no one was getting an income except myself.

Now, those are the conditions, I think, that would apply generally in my section so far as the tenant farmer is concerned. A few, perhaps, have been more fortunate than I in having a number of hogs. Take, for instance, last year; corn was down low and hogs were up around 8 or 9 cents, and the man that had a lot of hogs finished off the hogs and perhaps made a little money, but the rest of them that were in the same boat that I was practically fared the same way. There is any number of farms in Scott County which have during the last year gone back to the original owner or to the men who owned the mortgage on the place. I have not any figures as to how many have quit in our section, but I know that there were during the past three months something like 75 to 100 farm sales held in Scott County, Iowa, and out of the entire bunch I think there were two or three at least in which the man stated his reason for having a sale as being the fact that he was retiring from the farm. The majority simply decided to quit farming and were holding a sale.

When I bought my stock and equipment in the fall of 1920 binders that had been in use three or four years were bringing as high as $200. I saw a binder sold at a sale last month, the same kind of a binder, and in the same condition, for $35. And other things are in proportion.

Horses that three years ago brought $200 to $250 go begging now at anywhere from $75 and not over $100.

Senator KENDRICK. I call your attention to the fact that horses all over the country are almost unsalable, but the price of your

binder at $35 did not reflect any decline in the first cost of the binder as it came from the implement dealer in the community, did it?

Mr. TANK. No, sir. The binders now, of the same kind, new, I think, at this time would cost you somewhere around $240 to $250.

Senator KENDRICK. Practically the same as it did two or three years ago?

Mr. TANK. Practically the same.

Senator JOHNSON. Last fall I bought a 7-foot Deering binder for $200. I traded in a colt for $100, a 4-year-old, weighing 1,400 pounds, unbroken colt, without a blemish.

Mr. TANK. Now, the farm sales reflect somewhat the condition among the farmers there. On 160 acres the average farm sold in our community would range, I think, on an average around $8,000. That is, take it four years ago. The same kind of a sale to-day will run around $3,000. I am speaking just of the personal property.

As I have stated before, the price of products that we have had to buy has come down very little, to meet the price at which we have to sell.

The CHAIRMAN. What about the land itself in price as compared with four years ago. This same land that you said was selling for $450 an acre, what is it selling for now?

Mr. TANK. There is not any land of this kind or of this type that has been selling. I know of only one case of a farm that you might class along the line of mine that would sell for $265 an acre, but I don't think that this would hardly be a fair estimate of the market value, for the reason that these men who bought the farm were buying it for a widow with a family of children, and the father is a very well-to-do man.

Senator GOODING. On your farm that you rented, what was the condition generally of the improvements and the land?

Mr. TANK. The improvements are not as good as some in the same section. The farm was a trifle run down. The man who had been on previously—and he had been on there for seven years—did not give the attention that farmers generally give to land in that section, and my crops were possibly cut down 10 per cent by reason of that fact.

Senator JOHNSON. Mr. Tank, when you mentioned a little while ago the prices on corn and wheat, did you mention the price on oats in 1922 in Iowa, or in 1921?

Mr. TANK. No, I did not.

Senator JOHNSON. I understand they were very, very low.

Mr. TANK. Oats were very low. I think they were down to 25 cents at the time I was speaking of.

Senator GOODING. What is your judgment in regard to the condition of the soil generally? Has it come up or is it going down? Is production going forward or backward?

Mr. TANK. I can not speak of the State as a whole, but in my vicinity, in Scott and Clinton Counties, they are, as a whole, on what I would say a rather high plane of fertility. I know farms in my community that have been in the same hands for 20 years, where during some seasons they have trouble in raising a crop of grain, and oats especially, and barley, for the reason that the ground is so rich that it will almost invariably mold, especially if we have considerable rain.

I have outlined to you the condition generally in our section, which I believe is considered one of the best in the country.

Senator KENDRICK. Will you inform the committee as to what valuation your landlord places on his land in fixing this rental at $10 an acre?

Mr. TANK. Well, I can not say that they fix it on the price of the land exactly. It is fixed somewhat on the demand, I think, for the places.

The CHAIRMAN. They charge, of course, just what they can get?

Mr. TANK. What they can get. That is the idea.

The CHAIRMAN. Did your lease provide for a series of years, or was it just for a year?

Mr. TANK. No, just from year to year. The place I am on has been leased to another party because I objected to paying $10 for the place I was on, and rather than obligate myself to pay that price for another year I have sold out and quit, or intended to quit, but I did rent another place about 10 miles from where I am, with ground that is in a better state of fertility, in better condition all around, and the buildings are perhaps—well, the buildings are in good repair, but the place has just changed hands and the man that I have leased it from has agreed to put them in first class condition, and after this is done I will have as good equipment and buildings as you will find on any tenant place, I think, or on the average tenant place, at least in Scott County, and I am paying $8.

Senator KENDRICK. I have in mind an implement dealer, apparently a very reliable man, who stated to me, in connection with the livestock of Minnesota and other Northwestern points, in fact, that only 25 per cent of the farmers there had livestock on their farms. Can you tell us whether that condition prevails in Iowa?

Mr. TANK. That condition does not prevail in our section. We have very few—I am speaking of a farm of the size of mine—that have not at least from somewhere around 15 to 25 head of cattle. Some of them perhaps feed a lot of beef cattle and milk many dairy cattle, but mine are of the general-utility type. We are milking anywhere from eight to a dozen cows.

Senator GOODING. What are the taxes on this land?

Mr. TANK. The taxes run about $2 per acre on the farm I am on at the present time.

Now we have been told that the farmer should practice economy. I don't believe it is necessary to tell them to practice it; they have been doing it for three years.

Senator KENDRICK. Don't you think the middle name of the farmer is economy?

Mr. TANK. I am satisfied so, because it naturally makes him an economist, if he tries to make ends meet. They are not spending their money on automobiles, as has been suggested in the press. In fact I am one of those that do not even run a Ford. If I want to go anywhere I have to sponge on my neighbor or else take the horse and buggy.

Now, then, they have also been telling us that we should diversify. I don't think that that would apply to our section, because we are pretty near all practicing diversified farming there now, as well as practicing proper crop rotation. We have what they call a four-crop rotation. Land that is in hay, clover, meadow this year we plant

to a crop of corn the following year, and then to a crop of oats, and then perhaps to a crop of winter wheat, in which is seeded another crop of meadow.

I believe if more farmers went into the dairy business there it would simply hurt some of the fellows that are selling dairy products at this time. We at home are not making a great deal out of our dairy cows. We put our milk on the market in the form of butter, and we are realizing the highest price we can for that because we sell it privately to customers in the city of Davenport.

I have not done much in eggs and chickens and other poultry because I didn't think they were profitable. Poultry has been profitable for the past year, and it has been the only thing on the market that has been profitable, but you realize that this is only a special line, and it must be followed on a small scale, and can not be followed on a farm of the size we operate as anything more than a side line.

Senator GOODING. What interest do you pay on money that is borrowed?

Mr. TANK. Seven per cent.

Senator GOODING. And a commission, or do you go to the banks and get it?

Mr. TANK. No; we go to the bank and get it at 7 per cent.

Senator JOHNSON. You mean on a note, not on real estate?

Mr. TANK. On a note. I don't know what it is on real estate, because I have not borrowed any.

Senator SMITH. You pay 7 per cent at the time of making the note? The note is discounted at the time you make it?

Mr. TANK. No. I borrow the money for a short-term period—six months or a year, say—at 7 per cent at the end of the time.

Senator SMITH. At maturity?

Senator JOHNSON. Mr. Chairman, I want to ask the Senator from Wyoming a question. Did that Minnesota implement dealer that said there were only 25 per cent of the farms in Minnesota that had livestock on them say that applied to the whole of Minnesota?

Senator KENDRICK. Yes. I understood that there were places in Minnesota—that is, rather large tracts of the country—in which the farmers were without any kind, almost, of livestock, and in some instances there did not seem to have——

Senator JOHNSON. The southern and central parts of the State we have got more cattle than we need; it doesn't pay to keep them.

Senator KENDRICK. He spoke of hogs and also of sheep.

The CHAIRMAN. All right; let us proceed with the witness.

Mr. TANK. As far as hogs are concerned, now, that you mention hogs, the fellows that were feeding them last fall were going to lose money if they had to buy corn at the prices which prevailed during the months of August and July, 1923, because at that time corn was selling around 75 cents, what little there was to sell, and those same hogs were netting the farmer at home about 6 to 6¼ cents.

Senator GOODING. Is there money in corn at 75 cents a bushel?

Mr. TANK. Corn at 75 cents a bushel, I would say, would let me come out perhaps a little to the good.

Senator GOODING. A little to the good; but not much?

Mr. TANK. Not much.

The CHAIRMAN. That would only depend on what you had to pay out as rent and what you had to pay out for other expenses and what prices you had to pay for things you had to buy?

Mr. TANK. Exactly.

Senator GOODING. What crop of corn are you and other farmers getting throughout the State?

Mr. TANK. My corn has averaged this year 65 bushels, a few bushels less than last year, and about the same thing for the season of 1921.

It has been said that we could solve our problems by cooperation. I am a real cooperative at heart. I am president, as I have stated, of the Iowa branch of the American Society of Equity, and I have tried for the past six years, along with some coworkers, to get the farmers organized in my section, and I want to tell you that it is an uphill proposition, and I do not think that we can, through cooperation, get the farmer into a state of cooperation where he can help himself for quite a few years to come. I have had men cite me some cooperative farm organizations, such as the Citrus Fruit Growers of California, the Lettuce Growers of the Imperial Valley in California, and other cooperative organizations of that kind. Before I leased this 160-acre farm I had 20 acres a few miles from where I am living now, and necessarily I had to go somewhat into the truck business. I grew onions, carrots, and the like. I went onto this place in the spring of 1918 and had a good crop, and got fairly good prices for that year and made a little money.

The piece of land I had was a heavy black loam, very flat, and it was not tiled. It cost quite a little money to tile it out, and therefore the owner did not put in the tile. The years 1919 and 1920 were very wet in our section, and I had my potatoes standing under water for weeks at a time, and they rotted right in the field, so that the last few years I did not even break even there, but what I wanted to tell you was my experience there with the local cooperative organization known as the Scott County Onion Growers' Association, with headquarters at Pleasant Valley, Iowa. There is a territory right in my community that is particularly adapted to the growing of onions, and during the season of 1917 and 1918 they netted me for that year about $900, largely through the efforts of the cooperative selling organization. But this is only a small section, and embraces perhaps 100 growers who ship out 600 to 1,000 cars of onions every season.

Before this association was established, some 10 or 12 years ago, onions went begging out there at from 75 cents to $1 a bushel. The first couple of years that the cooperative took hold the prices doubled, and for the crop of 1919 they received as high as 5¼ cents per pound at home. That is the cooperative organization's home field, but I don't think you can apply that to the crops that we are growing on our large acreages. I believe if you had all the wheat crops concentrated in the State of North Dakota you might successfully operate a cooperative wheat selling organization, and if you had the same thing apply to corn in the States of Iowa and Illinois, that you could make the cooperative organization come through there, but inasmuch as the wheat is scattered over the Northwestern

States and Central Western States and the corn is scattered over a number of States, I think it is physically impossible.

Senator GOODING. The principal involved is the same.

Mr. TANK. The principal involved is the same, but I don't think we could expect within the next 10 years, or perhaps 25, to get the farmers sufficiently organized to take in all that territory and have enough of an organization to be of any effect. I figure that in order to do that we should have at least 25 per cent organization.

Senator JOHNSON. Mr. Tank, is it true that in Iowa in 1922 they dumped several carloads of onions in the river because they didn't sell them?

Mr. TANK. Last season? In 1922?

Senator JOHNSON. I would like to say that a friend of mine was down there—he lived in North Dakota—he was down there and he told me that.

Mr. TANK. I don't know about that.

Senator JOHNSON. You said you delivered your product to the creamery. What is the price of butterfat now?

Mr. TANK. We are not delivering milk at the creamery. The bulk of our milk in Scott County is either sold to the distributor in Davenport or is put in the form of butter and sold to the stores.

Senator JOHNSON. But do you know the prices of butterfat now around there where they have cooperative creameries, or are selling to the centralized creameries?

Mr. TANK. At this time I don't know, because personally I have none to sell. I sell my butter. The butter in the retail market, as we deliver it to the consumer, brings us around 50 or 55 cents, and the stores I think are paying about 35 to 38 cents for the same product. That is, the stores in the local towns.

Senator HARRISON. May I ask you what the farmers in your section of the country think of this pending legislation?

The CHAIRMAN. The witness stated that before he went into that he wanted to describe the condition of the farmer. I suppose he has not reached it yet.

Mr. TANK. I am just coming to it.

I might give you first the reason why I think some of these plans that have been suggested to us are not practical for our purposes. I just want to answer Senator Johnson.

Senator JOHNSON. Mr. Chairman, I wanted to ask one or two more questions.

The CHAIRMAN. Certainly, Senator. Anything you want to ask the witness.

Senator JOHNSON. I just want to draw out the prices, because the thought struck me when the Senator over there mentioned the livestock, and I wanted to draw out the prices.

Are you familiar with what the farmers in your section of Iowa received for a common canner cow during last fall on the market?

Mr. TANK. Well, I am, because I am shipping there. I have not been shipping cattle long, because the buyers have been taking them up largely there, and we also have a number of other shipping associations in the county that are shipping stuff, also livestock, and I can not tell you just what a canner cow will bring, but I can tell you what I got for a cow that had three calves.

Senator JOHNSON. Not fresh?

Mr. TANK. She was a dry cow.

Senator JOHNSON. She was in pretty fair shape, was she?

Mr. TANK. She was in pretty fair shape. She wasn't what we call extra fat in Chicago, but she was what I would style as medium fat.

I raised this cow from a calf. It was one of the first calves that was raised since we went back to the farm, and the children were anxious to raise it. It was a gray Hereford, out of a common cow bred to a thoroughbred Hereford bull, and this animal brought me 4 cents a pound in Chicago.

Senator JOHNSON. Well, have you heard that they have to give away the canner cows? That is what we are doing in my part of Minnesota. We have to absolutely give them away.

Mr. TANK. I have heard that statement.

Senator SMITH. You say you got how much in Chicago?

Mr. TANK. Four cents a pound.

Senator GOODING. What did the cow weigh?

Mr. TANK. One thousand and sixty at home and one thousand and forty at Chicago.

Senator JOHNSON. Mr. Tank, have you heard, in the case of the production of butterfat in the Northwest now; that is, this winter as compared with last winter, how the butterfat is compared with the winter a year ago?

Mr. TANK. You are speaking of my section?

Senator JOHNSON. I am speaking—have you heard, in a general way, in Iowa and the Northwest territory?

Mr. TANK. No; I have not heard, as far as the other sections of the country are concerned; but, as far as my section of Iowa is concerned, I believe it is practically the same as it was a year ago.

Senator JOHNSON. It is my report that from 190 centralized concerns it is 10 per cent higher this year. That was the statement sent to me.

Mr. TANK. You see a great deal of our milk is sold, especially on the hard-surface roads, and distributed. We have quite a consuming territory in Davenport, Rock Island, and Moline, Ill., with a population of somewhere around 125,000 to 150,000 people, that draw their supplies from surrounding country. Those distributors send men along those hard roads to collect milk every morning, and the fellows that are producing that are realizing from 18 to 20 cents a gallon, and that is distributed in the cities for 11 cents a quart or 44 cents a gallon.

I have told you about these other things that have been suggested, and that is one reason why I am coming here and asking the Congress to do something for the farmer, that the Norris-Sinclair bill will help us if not to realize the cost of production with a reasonable profit, it still will help us, perhaps, to get a little more than we get at the prices on the present market. I think this bill provides that this corporation can buy all my supply and warehouse it and put it in the elevator, and advance me a certain percentage. If my 1922 crop of corn could have been handled in that way, if I had been able to receive an advance, say, of 75 cents on that, I would not have

had to sell it at the time at 60 cents a bushel, but I could have held it until July and August and probably realized 75 cents on it. I was forced to throw mine on the market in order to raise the rent and pay my other obligations.

That is one feature of the bill that appeals to me, and I think to others in my community.

Another thing that I think this bill could do if properly administered would be to find a better market for the farmers' products and cut out some of these fellows that are putting the high price on the consumer and giving the low price to the farmer. I had occasion a year ago, or two years ago, to buy a sack of flour in a little inland town 3 miles from where I live. The man out there is trying to do all he possibly can, and working on a smaller margin of profit than any general store that I know of in the whole county. He charged me $2.50 for a sack of flour. At the time wheat was selling at our local shipping point at 85 cents a bushel. I asked him why it was that with 85-cent wheat there we had to pay $2.50 for a sack of flour, because I understood it took very little over a bushel of wheat to make a sack of flour—45 pounds—and that I was also led to believe that at least 5 to 10 or 12 years ago the by-products would pay the cost of milling, and I asked whether he just simply took the agent's price and made no complaint to the agent, and he told me that he had, but that the agent had come back to him—his was a small miller in Minnesota, I don't remember just what town, but I rather think it was Marshall, Minn., but I would not say to be sure—and this agent stated to him that they could not help it, because they had to go and buy their supplies on the market at Minneapolis, and there was only so much released every day, consequently, in order to get their supply they had to bid up on it. Now I don't know whether these conditions are true, but that was the statement that the groceryman gave to me there at the time. But if such is the fact I believe this corporation could help the farmer by buying these products, and benefit the consumer also, by buying this wheat from the farmer and selling it direct to these millers throughout the country, and in that way realize a better price.

Senator HARRISON. Don't you think that that would result in a largely increased production?

Mr. TANK. I don't think so, if you don't fix the price. I think the farmer is already trying to raise all he can in order to try to meet his obligations.

Senator HARRISON. So you don't think it would have any effect on that at all?

Mr. TANK. No; I don't think so in our community, because we are trying to produce at this time all we can.

Senator HARRISON. Do you think the people would take advantage of the provisions of the bill to sell their product or to get advances on their crops?

Mr. TANK. I think so, of course.

Senator HARRISON. You think some of them would possibly sell?

Mr. TANK. Well, some would possibly sell and some would take advantage of the advance.

Senator HARRISON. You have not any definite idea as to whether the majority would take advances or sell?

Mr. TANK. No. That is pretty hard to say.

Senator JOHNSON. Mr. Tank, pardon me for asking you so many questions, but I know you personally. I have met you before, and I know you are familiar with the conditions there. You think that a bill like this that you mention will help the farmers immediately?

Mr. TANK. I think it would help them some.

Senator JOHNSON. You don't believe, then, in control of prices or price fixing among the farmers themselves, like the man who was here from Texas yesterday, when you were in here, advocated? You don't believe in that?

Mr. TANK. You mean that the Government should fix the price?

Senator JOHNSON. No; that the farmers should fix the prices themselves by controlling production and having an orderly production and orderly marketing?

Mr. TANK. Why, yes; I believe in the farmer having something to say as to the price of his crop.

Senator JOHNSON. Mr. Tank, you realize at this time that what we need is prices. We don't need to talk about production. We need prices to help us.

Mr. TANK. That is the idea.

Senator JOHNSON. Are you familiar with the percentage that the middle man gets on corn between the producer and the miller?

Mr. TANK. I am not.

Senator JOHNSON. That is very low at the present time, but between the miller and the consumer is where it is high, as you say, in the case of that sack of flour—enormously high.

Mr. TANK. I don't know that I have anything further to offer on this bill unless there are some questions you gentlemen want to ask.

Senator JOHNSON. Before you go we want to know something more about what you think about the bills pending here, because you are here to give us conditions and we want to get it from you, because you are a representative of the farmers of Iowa. We have heard from North Dakota farmers and others, and I am interested in drawing out all that we can from you, because we need all the information that we can get if we are going to do something for the farmer, and that is what I am here for.

Now, the Coulter bill appropriated $50,000,000 during three years' time in order to lend money to farmers with which to buy dairy cows, hogs, and poultry. What is your opinion about that bill?

Mr. TANK. I have not read the Coulter bill, and am not familiar with it, but I have heard something of what you have said. I had an argument with one of the Congressmen about it. My personal opinion is this, that if this were done, and unless it increased the consumption, it would just simply reflect upon the other products along the dairy and poultry lines that are being produced now. Right now there is not any money in poultry. I sold a lot of my spring crop for from 24 to 28 cents. I doubt whether I could get more than 10 or 12 cents to-day. I don't know whether I could get that.

Senator JOHNSON. At the present price of butterfat is there any money in milking cows now on high-priced land and with the high prices for everything?

Mr. TANK. There is not with the class of stock that I have got. I have not any high-grade dairy stock. All mine is stock with very

little dairy strain in it. I am trying now to get a little more dairy strain, and expect that I will realize a little more for my butterfat in that way.

Now, it has also been suggested that the Government loan the farmers more money. Gentlemen, that is not what we want. It is not more credit that we want. It has been our trouble that we have had credit too easy. If the bank had refused to loan me money three years ago I would not be here to testify before you to-day. What we want is a chance to pay off some of our obligations.

Senator KENDRICK. Then it is your viewpoint on the Coulter bill, referred to by Senator Johnson, that through increased loans there would be increased production, and that would bring embarrassment rather than relief?

Mr. TANK. I would not say that exactly, as the Congressman argued last evening, that we could consume considerably more dairy products.

Senator LADD. Let me ask you a question: In your section of the country you are practicing diversified agriculture at the present time?

Mr. TANK. Yes.

Senator LADD. Supposing instead of being in diversified agriculture, as you are, you were strictly corn growers. Would you want to remain corn growers or would you want to get into diversified agriculture?

Mr. TANK. I would say that it is a matter of keeping up the fertility of your soil, in getting into something of that sort. I don't say that I am opposed to that, but I don't, so far as my section is concerned, think we would derive any benefit.

Senator LADD. I agree with you, but the condition in the spring-wheat belt is somewhat different than in your section. They gave up diversified agriculture in that section and sold their stock during the war and devoted their time during the war entirely to growing wheat. The bottom dropped out of the price of wheat, and it left them practically bankrupt and they are unable to get back into diversified agriculture.

Mr. TANK. I realize that very well, and I would not oppose it if it were going to benefit those fellows, but just referring to our section, I don't think it would benefit us.

Senator LADD. I agree with you, and I don't want to take up too much time, yet I felt that I ought not to let that pass, that conditions are identically the same in the wheat sections that they are in your section of the country, and if the conditions were reversed you would have a different view of the proposition.

Mr. TANK. Our country is just reversing the order that existed 10 years ago. There was very little wheat grown in our country. Now we are growing a great deal of wheat.

Senator LADD. And in doing so it has not helped much the other fellow that was in the wheat section?

Mr. TANK. No, it has not; but it has happened that the return on barley and oats has been so much less that we had to rotate to something so we picked wheat.

The CHAIRMAN. Just as a broad proposition it would be better, would it not, to have as much diversification as the conditions of the country would warrant, so that the farmer would not be dependent upon one thing that might fail and leave him absolutely high and dry?

Mr. TANK. Absolutely.

Senator JOHNSON. Here is another part of the Coulter bill. We want to get all sides of it. Supposing a renter like yourself rents a piece of high-priced land in Iowa. He needs the money to buy a few more cows. He thinks he can handle a few more. You said you could go to the bank and borrow for 7 per cent. If he is real hard up, will the bank ask him 8 per cent?

Mr. TANK. Not in our section.

Senator JOHNSON. Not in your section?

Mr. TANK. I think you can borrow it now for 6½.

Senator JOHNSON. On chattel mortgage?

Mr. TANK. I don't know about chattel mortgages, but short-time loans.

Senator JOHNSON. If there is money appropriated here now to be loaned out for, let us say, 6 per cent, would not the farmers in Iowa like to get some of the 6 per cent money from the Government, just the same as the farmers that need it up in the livestock section?

Mr. TANK. Unless they can get it from their banker, I think possibly they would.

Senator JOHNSON. Then the banker would have to come down just the same, or else there will be a kick?

Mr. TANK. Yes, sir.

Senator JOHNSON. That was what I was thinking.

Senator SMITH. Mr. Tank, let me ask you this question: Is it your opinion that the solution of this problem has got to be found in the farmer either himself being able to control the price of crops or some agency established that will control it in his interest?

Mr. TANK. Yes, sir.

Senator SMITH. How long will it take, without the help of these men around this table, when the other man to whose interest it is to get it as low as possible, with all the capital he needs, and with all the facilities for handling it that he needs, fixes the price?

Mr. TANK. We realize that it is a hard proposition.

Senator SMITH. But is not that the proposition, that the man that produces the stuff, if he is to realize a profit year in and year out, must be the man that is going to fix his price?

Mr. TANK. That has been my idea, but——

Senator SMITH. Then the problem is how are we going to reach that condition? You will never solve this problem as long as we leave the power in that position, and it is just like that, and you and I never can abrogate it. The whole problem is how can we enable the farmer, or how can the farmer enable himself, to fix the price?

Senator KENDRICK. Not to fix the price, but to exercise the same influence and control over price that other manufacturers exercise.

Senator SMITH. That states it better than I have stated it.

Senator LADD. In other words, Mr. Tank has said that it would take several years for the farmer to become educated to a system of cooperation that would be cooperative.

Senator SMITH. I have engaged in cooperative work in the cotton section, and the tobacco section, and we found that the farmers are thoroughly competent to understand and enter into a cooperative marketing plan, but not having a majority of the cotton and tobacco

we can only save by eliminating the expense of trading and of warehousing and of processing, and take that on ourselves and eliminate the middleman, but ultimately we have got to take the other, and control the price. The minute we get 55 per cent or a majority of the product, then we can control the price. The next difficulty is this: Not being able to fix it, we can not turn all of our cooperative tobacco or cotton on the market at once—that is the old dumping process, and therefore they can only pay me say 50 per cent of the market price. Then I have to wait for the other 50 per cent. Now the ordinary condition of the farmer is such that he can't wait. His obligations for producing the crop mature with the maturity of the crop. Very often they are more than 50 per cent of the product, and therefore we have got to devise a scheme, before you can control the price, by which you can enable him to realize sufficient on this crop to meet the obligations incurred in its production. After the crop has matured, during the next 12 months we will add each month's carrying charges. Now, you can take it, and then we can pay those that need the money the full value.

This might encourage you. In our cotton cooperative association certain farmers that do not need the money are turning back the full value of their crop into a reserve fund to be handed over to the man that needs more than 50 per cent. They charge interest. But we are coming. We certainly are coming. We have one object in view, a control of the major percentage of the tobacco in the three States, and of cotton, and when we get that, the world must have it, and we will control the surplus, because those three States control the surplus of tobacco and of cotton.

We have one object in view, and that is, how are we, as business men, as Senator Kendrick suggests, going to have a controlling voice in the price of our stuff, as other people have. We find it possibly only by having an ironclad contract with penal clauses in it.

Senator LADD. In the grain section of the Northwest we have a somewhat different problem. As a cooperative dealer, he was not permitted to sell his product on the market. In other words, no cooperative could become a member of the chamber of commerce, and no cooperative was permitted to sell on that market, and every cooperative had to sell to a member of the chamber of commerce. There was an article released by the Federal Trade Commission recently giving their report that showed conclusively that the chamber of commerce entered into a conspiracy against the cooperatives, and in many other ways attempted to prevent the farmers even having an opportunity to market their product, and they even went so far as that when the farmers tried to operate their own exchange for selling the grain, they used all kinds of propaganda, carried on through correspondence, through the press, and through men clamoring about the country, discrediting this other market, which has now been shown to be absolutely misleading and false. They even put men out of business that were dependent upon this.

The CHAIRMAN. Let me suggest now that this is exceedingly interesting, as I think we will all agree, but we will have opportunity to discuss all these questions when we get through with the witness. I suggest that we let the witnesses testify and that we not take up these questions that are more or less controversial, but that we get through with the testimony, and then fight it out.

Senator LADD. I brought this up because——

The CHAIRMAN. I am not objecting to what you said. It is very appropriate.

Senator LADD. I think, Mr. Chairman, if not all, at least a summary of the findings of the Federal Trade Commission ought to be put in this record.

The CHAIRMAN. Yes. We will do that.

Senator KENDRICK. I want to ask a question of this gentleman now.

The CHAIRMAN. Yes. Ask all the questions you want to.

Senator KENDRICK. You have had much to do, as I understand from your testimony, with at least what you term local organization of farmers?

Mr. TANK. Yes, sir.

Senator KENDRICK. Is it your experience that any definite organization among the farmers or stockmen that is affecting this question of controlling prices must proceed from a local to a general proposition?

Mr. TANK. Yes.

Senator KENDRICK. And do you not believe that in spite of the discouraging experiences of the past along that line general organization and cooperation will ultimately come as a solution of these problems?

Mr. TANK. I am satisfied it will, and for that reason I am working ahead for the future, because I believe at some time all of these various farm organizations are going to coordinate and get together under one organization ultimately.

Senator KENDRICK. Exactly. Now I want to call your attention to the thing that is coming to that end, an illustration suggested by a statement made yesterday by Senator Johnson of Minnesota in connection with the selling organizations of the stockmen in our stockyards at the present time. I believe he called attention to that as succeeding and as one who has had much to do with the question in the past, I have occasion to know that every attempt to organize stockmen in an effort to procure or establish cooperative selling agencies failed positively over a period of at least 25 years; but necessity is a stern teacher, and finally we have come to it, and these same selling agencies referred to by the Senator from Minnesota are now selling on the same basis, incurring the same expenses; Senator Norris, in Omoha, and Senator Johnson, at St. Paul, and I don't know but one or two other places, perhaps Chicago, and returning to their patrons the 50 per cent of the charges originally assessed.

Mr. TANK. May I interrupt you there, Senator? I want to say this, that I am on the board of the Farmers' Union Livestock Commission, which is a livestock-selling agency in St. Paul and Chicago. We took this department over from the Equity Cooperative Exchange a year ago last May as a losing proposition. Senator Johnson probably knows what it was better than I do. Under proper management we have developed that into a very effective organization and prorated back after six months operation, last November, something like ten or twelve thousand dollars. The 1st of Janu-

ary we contemplate, I think, prorating back something around $50,000 or $60,000.

The CHAIRMAN. That is this January just past?

Mr. TANK. Yes.

Senator KENDRICK. This is important, because the witness first testified as to the attitude of discouragement as to permanent effective organization, and I have felt the same way, and I have studied that question more than or as much as, I would say, any man around this table. I believe that ultimately—and I want the witness to keep that in mind—I believe that ultimately it is the only solution.

Mr. TANK. That is my idea absolutely. Now, in the Chicago market we have the farmers' cooperative charging the same commissions and getting the same prices that the other fellow is getting.

Senator KENDRICK. They compete with them in every way.

Mr. TANK. In every way, and the producers for some months past, I think, have been at the head of the list, and the Farmers' Union Livestock Commission has been right at their heels, and the business is increasing from time to time, and I believe in the course of time we are going to get enough business and have enough members in the various shipping organizations that patronize our organization so that we can have some control over the stuff as it is shipped in. But, as I said, I believe it is going to be some years before we can do that, and I am advocating this as an intermediate measure to give us an opportunity to get on our feet.

Senator KENDRICK. One question more.

Is it not true, Mr. Tank, in connection with these organizations, that the volume of business going to these organizations that have been brought into question is having something like an influence on the price of those products in the yards? In other words, I was told that one or two instances had occurred recently in which the cooperative associations actually had a sufficient proportion of the hogs that went into the market; that they were unable to raise the price of hogs because they were 1 as against 4 or 5 or 6 buyers, whereas under the old order of commission firms it was 40 or 50 sellers, commission firms, as against 4 or 5 buyers. So the question is that if these cooperative agencies become concentrated so as to hold a sufficient percentage of the product they may have more to do with dictating the price than has been known before in those yards. Don't you think so?

Mr. TANK. I think that might be possible, although I would not be in a position to testify whether that has been the case.

Senator KENDRICK. It has been true in more than one instance.

Senator JOHNSON. Mr. Tank, you know that when the Equity broke down, started at the terminal market, we had the same fight there. You know that we had a fight with the chamber of commerce, as is shown in this decision that the Senator from North Dakota mentioned; but I want to ask you do you really think we have done anything on the terminal market so that we control any prices yet? Do you think so?

Mr. TANK. My own opinion is that we have not. We have saved some commissions.

Senator JOHNSON. I agree with you. We have cut out a few middlemen and taken their profits and got a little commission, but we have not controlled prices yet.

Mr. TANK. No, sir.

Senator JOHNSON. You also know in St. Paul to-day we don't control one-third of the output there, even with the Central; that is, the Farm Bureau, where we are the strongest. Now, as I stated before—I want to ask you as my last question—do you think that by encouraging cooperation alone that will solve the problem for the farmers?

Mr. TANK. Encouraging it in what way?

Senator JOHNSON. Well, I mean talking for cooperation and controlling prices, control the production and prices like the organization I mentioned to you yesterday, to ascertain the cost of production and ask for a reasonably fair price for the product. Don't you think, Mr. Tank, that would be the best solution? I want to get your answer.

Mr. TANK. I think we can estimate the cost of production, but I don't think we are going to be able to realize it until we are, as an organization, strong enough to put over our demands.

Senator JOHNSON. I agree with you on that. You think we can do it when we are stronger?

Mr. TANK. I think so.

The CHAIRMAN. Is that all, Mr. Tank?

Mr. TANK. That is all I have to offer.

The CHAIRMAN. The next witness is Mr. Ingerson, of North Dakota.

STATEMENT OF STATE SENATOR RALPH INGERSON, FLAXTON, N. DAK.

The CHAIRMAN. State your name and residence, Mr. Ingerson.

Mr. INGERSON. Ralph Ingerson, Flaxton, N. Dak.

The CHAIRMAN. Now, go ahead with your statement.

Mr. INGERSON. Gentlemen of the Senate committee, I am a resident of one of the northwest counties of North Dakota, at Flaxton, N. Dak., and I am not here as a representative of any organization of farmers. I was sent down here by the farmers of Burke County, in which I reside, the farmers and business men, more particularly the business men at this time, to see if I could give you an idea of the condition that obtains there in the county in which I live, and I think I can best do that by giving you a little history of our experience out there.

This is a country that was homesteaded along from 1898 to 1905. It was entered by homestead settlers, and I came there personally, and I filed on a homestead in 1899 and moved out in 1900, and have been there ever since, and am still on the homestead. Land, of course, was at that time of no value at all. That is, it had no market value. It was homestead land. We moved onto it, and we have during the years developed that country to some extent, and we find ourselves now very much burdened with debt as a general proposition. We have incurred obligations that have been increasing very rapidly. It seems to me, and it seems to all of us who have discussed it there—and it is a common question for discussion in our country up there what has brought this thing about—that all through these years there has never been a period of any several years in succession in which the farmers received enough from the products

of their farms to pay the cost of production and to in any way cover the necessary development of the country. That seems to have been our experience.

It seems to me that that is the cause for the condition in which we find ourselves. We have developed to a certain extent. We have had to build a few roads. We have built up cities and villages and churches and schools and things that go to the development of a country, and we have spent the virgin fertility of our soil and the energy of our pioneers, who were mostly young people that came in there when I did, and we have lived there and that has been our contribution, and it has not been enough to develop the country and pay our way. I don't think that we borrowed anywhere near what we owe—in fact, I know we did not—for the purpose of developing the country, but interest has a way of piling up, and as these years have gone by our obligations have doubled because of the fact that over no period of time of several years in succession have we been able to get the cost of production. There have been years that we have, but they have not been sufficient to make up for the years in which we have not been able to get the cost of production and bring about the necessary development of our community.

I think I can best illustrate that by telling you something about the amount of mortgage indebtedness in my county in North Dakota. I think we are one county in the State that possibly has the most accurate knowledge as to just where we stand. We went to the trouble of abstracting the townships in our county to ascertain a year ago what our indebtedness was, and we had an opportunity 13 years ago to know just what it was. At that time 13 years ago, we formed a new county, a new Burke County out of a portion of a larger county, and the records at that time of the old Burke County and the new Burke County were transcribed, and there were between $500,000 and $600,000 in the real estate mortgage indebtedness on the farm lands of Burke County. This county has no cities at all in it excepting small cities of 500 population, or something of that kind. We have two, at least, that are incorporated cities, but they are just merely little country towns, so most of our property is in the country.

When we ascertained or made, at least, a close estimate of our indebtedness last fall, 13 years later, we abstracted a township that is there recognized as a very representative township of our county, situated in the center of it, which has had average crop conditions during those years, and we found $440,000 worth of real estate indebtedness in one township of the 29 townships of that county.

Senator KENDRICK. There is twenty-three thousand and some odd acres in a township?

Mr. INGERSON. Well, I don't remember the acreage, but it would be a 6 miles square tract.

Senator KENDRICK. Something over 23,000 acres in a township?

Mr. INGERSON. I believe so.

That is the amount of the mortgage indebtedness, and that is the way it has been increasing. And there is other indebtedness besides farm land indebtedness, of course. There are mortgages on city lots, real estate mortgage indebtedness, and then we found also that there were between one and two million dollars in the county of chattel and crop mortgage indebtedness at that time on

the records at the register of deeds, and we got that because he was compelled under our laws to furnish an abstract of crop mortgages to all the elevators in the county at their request. He had to compile the information, and we got that. So it showed that the real estate mortgage indebtedness on the farms of our county was right around in the neighborhood of $11,000,000, and added to that was the chattel mortgage indebtedness of a million and half or a little more, showing that we were burdened, just on that class of interest-bearing obligations, outside of any school district bonding or anything of that kind, but our direct interest-bearing obligations were right around $12,000,000, or a little better, and it would show that we were paying an interest charge of somewhere in the neighborhood of a million dollars a year, which would take up a good share of our wheat production at current prices. It does not seem to me that that condition could obtain for any other reason but that we were getting less than cost of production most of the time.

Senator KENDRICK. Mr. Chairman, I will give the reporter the exact figures. It is 23,040 acres to the township. In stating the acreage, it will indicate how much per acre your mortgage indebtedness is.

Mr. INGERSON. I presume that you gentlemen have been getting a great deal of evidence—I know you have been while I have been here—and I have read the hearings on similar propositions also before you, and I believe that there is enough of the kind of evidence that I have given you up to this time to show you that all over the country it seems, from my observations and talks with other people, that the condition of agriculture is desperate. There have been a great many different remedies and proposals made to solve our problems, and I have been interested in the discussion of cooperative marketing, etc. In North Dakota we have been very active and have endeavored very hard to organize cooperatively to remedy the situation, which all along we have felt was a marketing proposition. There was an effort for a number of years, through the Society of Equity, and it died later on. It never got well under way in my part of the State. I was a member of it; we never got very active.

There was one cooperative elevator started a while later on, and there was some local elevator associations incorporated, and they did some business and saved some commissions to the farmers, but later on most of them got into the hands, practically, of the commission companies; that is, the commission companies financed them, and then we were merely our own agents instead of employing an agent for the purpose of getting together this wheat and sending it in to the terminal market.

Later on, I think it was in 1911, the Equity Cooperative Exchange was organized, and the history of that movement has been one of great struggle on the part of the farmers to establish a cooperative marketing organization. We have not been able to establish it, and the people have become so discouraged because of their failure to establish it that it is impossible, I believe, to organize an effective cooperative method of marketing farm products in that part of the country, especially wheat. There have been great efforts made by the Northwestern wheat growers, I think called—I am not sure of that name. I have not joined it. I became a little discouraged. I

know of a good many people that have joined it, however, in the hope that they might in some manner help, although they have not much faith in it, but they are still trying. They have gone into that. It is a wheat-pool proposition. I am not going to attempt to describe it. I can not say that I know it will fail, but I know that the efforts in the past have failed. When the Equity Cooperative Exchange began to interfere to some extent with the Minneapolis Chamber of Commerce they began to discriminate against it, and I have here with me a report of the findings of the Federal Trade Commission dated December, 1923, in which they set forth some of the reasons why we have not been able to organize a cooperative organization that would be effective. I would like to give you some of the facts or the finding of that commission. It is quite voluminous. I heard Senator Ladd a while ago mention that he would like to have this, or a portion of this, in the record. It seems to me that it is something that you ought to have in the record—all of these findings of the Federal Trade Commission. It is a long discussion of the different things that in their investigation show the different discriminations and unfair practices that were practiced against this Equity Cooperative Exchange that we were trying to establish to market our own products.

Here is paragraph 19 [reading]:

By means of boycott and threats of boycott the said chamber and the members thereof conspired and agreed among themselves and with others to induce its members and others to refuse to buy from, sell to, or otherwise deal with the said Equity Cooperative Exchange, its stockholders, or the members of the St. Paul Grain Exchange.

There was a St. Paul Grain Exchange established in competition with the Minneapolis Chamber of Commerce, and these unfair practices were directed not only against the Equity Cooperative Exchange, a member of the St. Paul Grain Exchange, but other members of that St. Paul Grain Exchange.

The said respondents for more than 10 years last past—

That gives you a little idea, gentlemen, of the length of time we have been trying to establish cooperative selling agencies—

for more than 10 years last past have been engaged in a conspiracy and agreement among themselves, and with others, to annoy, embarrass, and destroy the business of the said Equity Cooperative Exchange, its stockholders, and the St. Paul Grain Exchange and its members, with the purpose and the intent of the said chamber, its officers and members, to secure and maintain for it and its members a monopoly of the grain trade at Minneapolis, Minn., and within a hundred miles thereof. All these activities mentioned herein in these findings on the part of said chamber, its officers and members, secured and retained for them a monopoly of the grain trade of Minneapolis and within a hundred miles thereof, and unduly hindered and restricted competition in interstate commerce between the members of said chamber on the one hand and the said Equity Cooperative Exchange and its stockholders and the members of the St. Paul Grain Exchange on the other.

That is just one paragraph of those findings. I would like to call your attention to some of the most glaring methods used to discredit and destroy this effort of ours to cooperatively market our products.

This is paragraph 23 of the Federal Trade Commission's report:

The respondents between May, 1912, and May, 1917, with the plan and purpose of injuring and destroying the business of the said Equity Cooperative Exchange and the said St. Paul Grain Exchange, published, in trade and daily newspapers, false and misleading statements concerning their financial responsibility, and the methods used by them and their officers and members in transacting business in grain. Among these trade and daily newspapers were the Cooperative Manager and Farmer, the National Grain Grower and Equity Farm News, the Fargo Forum, and the Fargo Daily Courier News. These publications the respondents circulated and distributed to and among customers and prospective customers of the members of the said exchanges. They likewise distributed the said articles in reprints, pamphlets, and official correspondence, and through traveling grain solicitors in the employ of the respondent members of the said chamber. In these articles the respondents vigorously attacked the said Equity Cooperative Exchange and the said St. Paul Grain Exchange, especially so in the Cooperative Manager and Farmer; they attacked editors who published comments and articles favorable to the said Equity Cooperative Exchange; they advised country elevator directors not to interfere with the managers of the said country elevators in the matter of choosing the persons and places to which their grain should be shipped; they pretended to offer expert advice on cooperative marketing of grain while at the same time they conducted a campaign against cooperative terminal marketing; and they attacked country elevators which shipped grain to the said Equity Cooperative Exchange.

There are a great many other very glaring instances given here of the things that we knew were taking place right along. We knew, although we could not prove it, but we were satisfied that, of course, these statements were coming out, but we could not always prove the statements that were made in regard to our exchange. It nevertheless prevented our effectively organizing the farmers, or effectively conducting our business. That is the reason that it has seemed to us that it was necessary to appeal to the Government in order to establish some marketing agency through the Government that would establish cooperation on a sound basis. We believe that if the Government will do that, will give us the necessary legislation to establish a marketing agency powerful enough and sufficiently financially backed that ultimately a purely cooperative agency will be established that we, as growers and producers, can operate ourselves. But the obstacles are so insurmountably placed in our paths by those whose profits depend upon a continued exploitation of the grain growers that it seems we are forced to appeal for legislation such as the Norris-Sinclair bill. It seems to us to cover the ground and to grant sufficient authority. We do not know absolutely that it will work. We don't come before you and testify to that fact, but we do believe that it can be made to work. We believe that such a Government agency can be made to work in such a way as to bring great benefit to the agriculture of the Northwest.

Mr. Chairman, I think that is all.

The CHAIRMAN. At the conclusion of your remarks I will ask the stenographer to have printed in the record the findings of the Federal Trade Commission in this case, together with the order that they have attached to their findings, as a part of these hearings.

(The report, findings of facts, and order of the Federal Trade Commission referred to are here printed in full, as follows:)

FINDINGS AS TO THE FACTS AND CONCLUSION.

United States of America, before Federal Trade Commission—At a regular session of the Federal Trade Commission, held at its office in the city of Washington, D. C., on the 28th day of December, A. D. 1923—Present: Huston

Thompson (chairman), Vernon W. Van Fleet, Nelson B. Gaskill, Victor Murdock, John F. Nugent, commissioners—Federal Trade Commission *v.* Chamber of Commerce of Minneapolis, the officers and board of directors and members of the Chamber of Commerce of Minneapolis, Manager Publishing Company, John H. Adams, and John F. Flemming. Docket No. 694.

Pursuant to the provisions of an act of Congress approved September 26, 1914, the Federal Trade Commission issued and served a complaint upon the respondents, the Chamber of Commerce of Minneapolis, the officers, board of directors and certain members as fairly representative of the whole number of members as a class so numerous as to make it impractical to name them all as parties respondent herein; Manager Publishing Co., John H. Adams, and John F. Flemming, charging them with unfair methods of competition in commerce in violation of the provisions of said act.

Respondents: The Chamber of Commerce of Minneapolis; C. A. Magnuson, C. M. Case, William Dalrymple, A. C. Andrews, B. F. Benson, W. T. Frasier, H. P. Gallaher, J. B. Gilfillan, jr., H. S. Helm, Asher Howard, John McLeod, N. H. MacMillan, and F. C. Van Dusen, named in the complaint as representative of the whole number of members, and as officers and directors of said chamber of commerce; John G. McHugh; Manager Publishing Co.; John H. Adams, and John F. Flemming, each of them having entered their appearance by their attorneys and each having filed their answers to said complaint, and having entered into a stipulation in writing as to the facts, thereupon this proceeding came on for final hearing, and the commission being fully advised in the premises and upon consideration thereof, makes this its report, stating its findings as to the facts and conclusion.

FINDINGS AS TO THE FACTS.

PARAGRAPH 1. That in 1881 the respondent, the Chamber of Commerce of Minneapolis, was incorporated under the laws of the State of Minnesota; that continuously ever since said date it was, and is now, a nonstock or membership corporation engaged in the business of conducting a grain exchange for the exclusive use and profit of its members. The said grain exchange was at all times mentioned in the complaint the largest wheat market in the United States. Within it about 200,000,000 bushels of grain grown in the States of the Northwest are annually bought, sold, and dealt in in said exchange room by said members. It has bought, sold, and exchanged with others commercial information consisting, among other things, of price quotations. These it caused to be transmitted from its place of business in Minneapolis to other grain exchanges and members thereof located in various States of the Union, and the said chamber received similar price quotations from other grain exchanges located in other States. During all of the times mentioned in the complaint in this case it neither bought nor sold grain. That at all times herein mentioned it has had its office and principal place of business in the city of Minneapolis, State of Minnesota.

PAR. 2. That the business, government, policies, and control of the said chamber during all the times mentioned herein was, and is now, vested in a board of directors, including a president and two vice-presidents; that as a condition precedent to admission to membership in said chamber and in consideration for membership therein, all applicants have been required by said chamber to agree, and those admitted did agree, to be governed by the charter, rules, regulations, usages, and customs of said chamber and by all the amendments thereto, and to bind their heirs, executors, administrators, and assigns to be so governed.

PAR. 3. That the business, practices and methods of the said members, while engaged in buying, selling, shipping, storing, and otherwise handling grain, have been and are regulated and controlled by said charter, rules, regulations, usages, and customs. That the size, power, and influence of the individual members themselves and their various business connections were such that the said chamber became and was during the times named herein an important center for the transaction of business in wheat, corn, oats, rye, and other grain.

PAR. 4. That until about 1915 the number of members in said chamber was limited, and the average price in Minneapolis for membership ranged from $3,500 to $4,000; that since said date the number of members has been unlimited, and the membership fee has been raised to $15,000, so that at the time of the filing and issuance of the complaint herein the members of the said chamber were so numerous that all of them could not, at that time without manifest inconvenience and oppressive delay, be made parties therein; that the respondents, C. A. Magnuson, C. M. Case, William Dalrymple, and John G. McHugh, were for the fiscal year of 1917–18, respectively, president, first vice president, second vice president, and secretary of said chamber of commerce; and with the exception of said John G. McHugh, the said respondents, together with the respondents, A. C. Andrews, B. F. Benson, W. T. Fraser, H. P. Gallaher, J. B. Gilfillan, jr., H. S. Helm, Asher Howard, John McLeod, J. H. MacMillan, and F. C. Van Dusen, were directors and members of said chamber of commerce and were all residents of the city of Minneapolis, and were each and all of them fairly representative of the entire membership of said chamber; that many of the above-named parties are members of said chamber and are now, and were at the time of and for sometime preceding the issuance of the complaint herein, engaged personally or as an executive officer of a corporation which did trade as a member of the chamber of commerce as aforesaid in buying, selling, and handling grain in interstate commerce in the city of Minneapolis, State of Minnesota, and throughout adjoining States.

PAR. 5. That the membership of the said chamber is composed chiefly of individuals, firms, and corporations engaged in the terminal elevator, line elevator, and cash and future commission business. Besides these groups the said chamber numbered among its members several representative millers and other grain converters, and also those not engaged in the grain trade.

The terminal-elevator members, with some exceptions, are those who purchased grain in carload lots either in the Minneapolis market or outside that market to arrive or to be shipped to that destination, or on track or free on board at the shipping point, from country elevators and other shippers in the States of Minnesota, North Dakota, South Dakota, and Montana. Part of the grain thus purchased was sold by them locally at Minneapolis, and part of it sold and shipped to mills, grain dealers, and others located in various States and Territories outside of Minnesota.

The line elevator members of said chamber were those engaged in the business of buying grain upon their own account through lines or chains of grain elevators located at various country shipping points in Minnesota and also, with exceptions, in North and South Dakota, Montana, and other States. The grain thus purchased was shipped by them from these elevators located in numerous instances outside the State of Minnesota to commission houses located in Minneapolis, where it was sold by them on a commission basis or was sold on track or to arrive and then shipped either to members of the said chamber or to grain dealers located in Minnesota or outside of said State.

The cash commission members of said chamber were engaged in the business or receiving grain on consignment from country shipper located primarily in North and South Dakota, Montana, and Minnesota, and in handling of to arrive sales for such shippers. In connection with such operations many, if not all, of the cash commission members solicited the business of such country shippers through traveling solicitors. Through these traveling solicitors the said cash commission members sought the grain business of such shippers, financed, by loans of money, the grain-buying operations of such of them as became their customers, bought and sold futures for such customers, supplied price quotations and other market news, and supervised the operations and account of such shippers.

The future commission house members executed buying and selling orders for grain for future delivery at Minneapolis received by them from country and terminal elevators, mills, exporters, mills and converters, and others. The execution of these orders by such members of the said chamber was made in its exchange room and affected the cash and future prices of grain within the State of Minnesota and in other States where grain is bought and sold either for spot or future delivery. That in all of these kinds of grain business transactions the said members were in competition with others not members of said chamber and especially were in competition with the Equity Cooperative Exchange and its stockholders, save in the matter of dealing in futures, and with the members of the St. Paul Grain Exchange.

Many of the respondents herein engaged in two or more of the various above-described activities.

That during the times mentioned in the complaint about 90 per cent or more of all grain received at Minneapolis was shipped to and dealt in by members of the respondent chamber. Over 60 per cent was, during that time, shipped into

Minneapolis from States other than Minnesota. About 44 per cent was ground at Minneapolis into flour and other grain products by members of the respondent chamber, and the greater part of such flour or products was shipped to various States of the United States and into foreign countries. Much grain while in transit from other States than Minnesota to points in States other than its place of origin was bought and sold in the exchange room of the respondent chamber. Some of this grain was bought by respondent members "on track" at country points, either within or without Minnesota, and shipped to Minneapolis, and contracts were made in the exchange room for the purchase and sale of grain to be shipped from other States to Minnesota at a future date or within a specified time. About 65 per cent of all grain received at Minneapolis was shipped on the consignment basis during the years 1913–1917. More than one-half of the grain dealt in on the floor of the respondent chamber was permitted a "stop over" at Minneapolis for the purpose of finding a purchaser or to be cleaned, stored, or mixed with other grain, or converted into flour or other grain products, and then either in its original, improved, or converted condition, moved on its journey to its final destination.

PAR. 6. That on or about February 17, 1911, the Equity Cooperative Exchange was incorporated under the laws of the State of North Dakota to buy, sell, ship, store, and otherwise handle grain, seed, etc., in State and interstate commerce, and on or about August 1, 1912, opened an office and place of business in Minneapolis, Minn.; that thereafter and in August, 1914, it moved to St. Paul, Minn., where in conjunction with others it established the St. Paul Grain Exchange, and then became, and ever since has been, a member thereof. Since August, 1914, it has had its principal office and place of business at St. Paul, Minn., and other offices and places of business at Fargo, N. Dak.; Superior, Wis.; and Great Falls, Mont. As a cooperative association its regulations required it, after all of its expenses and stock dividends were paid, to distribute the balance of the moneys derived from sales and commissions, if any, among its stockholders in proportion to the patronage it received from them.

The stockholders of the said Equity Cooperative Exchange numbered about 7,000 in May, 1917, and this number had increased to about 17,500 in September, 1922. None of them were members of the said chamber. Practically all of these stockholders resided in North Dakota, South Dakota, Wisconsin, Minnesota, and Montana. They were engaged in raising wheat, corn, oats, rye, and other grain in said States and in shipping the same to the said places of business of the Equity Cooperative Exchange to be sold by it as agent for its said stockholders, or to be bought and sold by it on its own account. A great deal of said grain is sold and shipped by it for said stockholders or itself to purchasers located in places outside of Minnesota.

The Equity Cooperative Exchange itself owned and operated about 75 line and terminal local grain elevators located at various points in Minnesota and North and South Dakota. At these elevators it bought and received grain, shipped it to St. Paul, Minn., and Superior, Wis., and there sold the grain on its own account. For the convenience of itself and stockholders it owned and operated at St. Paul a terminal elevator with a capacity of 750,000 bushels, in which it stored grain for itself and stockholders. About 90 per cent of the stock of the said exchange was owned by individuals who were actively engaged in the production of grain. That, based upon its financial statement, the application of the Equity Cooperative Exchange to the Duluth Board of Trade for membership there was favorably passed upon by that body, and the said exchange was, on or about October 15, 1922, made a member of said board of trade.

In the above-mentioned transactions of buying and selling grain as agent for its stockholders and others and on its own account, and in its operation of its line and its terminal elevators, the said Equity Cooperative Exchange and its stockholders were engaged intrastate and interstate commerce in competition with many of the members of the said chamber of commerce as set forth in paragraph 5 thereof.

PAR. 7. The St. Paul Grain Exchange was a nonstock membership corporation organized August 1, 1914, under the laws of Minnesota to conduct a grain exchange and trading place for the use of its members and other growers of grain. It neither buys nor sells grain. Its office and principal place of business was at St. Paul, Minn. Its membership consisted of individuals, copartnerships and corporations, many of whom were in competition with members of the respondent chamber of commerce engaged in buying, selling, shipping and warehousing of grain in interstate commerce. The rules and regulations, by which it and its members were governed in said commerce,

did not prohibit, as did the rules of the said chamber, cooperative marketing, but did permit its members, after all expenses were paid, to distribute the balance, if any, of moneys received from sales and commissions, among their members in proportion to the patronage it received from them.

PAR. 8. The respondent Manager Publishing Co. was a Maine corporation organized in 1910 with its office and principal place of business in Minneapolis. Since then it has owned and published at Minneapolis a grain-trade periodical entitled the "Cooperative Manager and Farmer," which it sent to farmer elevator companies, independent grain dealers, farmer grain growers, and other persons interested in the grain trade of the United States, and especially in the Northwest.

The respondent John H. Adams and John F. Flemming were at all of said times residents of Minneapolis and stockholders of the said Manager Publishing Co., and the said Adams was editor of the Cooperative Manager and Farmer until October 1916, when the said Flemming succeeded him as editor. The policy of the Cooperative Manager and Farmer during all of said time was dominated and controlled by the secretary of the respondent chamber, who furnished the data and material for a great number of articles showing the policy hereinafter described.

PAR. 9. For the guidance and control of its members, the chamber of commerce passed certain rules and regulations called "General rules." Of these, Rule VIII, usually known as the "Uniform commission rule," was first passed in 1882. This rule with its amendments required at the times mentioned in complaint all members to charge for their services, for which commissions are charged not less than certain minimum prescribed rates stated therein, when dealing in specified kinds of grain. The said rule required in section 10 that:

"Every member of this association, and every person, firm, and corporation admitted to trade or to do business therein, hereafter buying directly or indirectly for his, their, or its own account or otherwise, any grain or seeds dealt in upon this exchange, in carload lots on track at country points, for shipment to Minneapolis, or buying any of the same to be delivered at Minneapolis, shall make their bids, offers, and purchases therefor on the basis of the Minneapolis market values less commission or a profit at least equal to the established rates of commission on said grain or seeds; and in addition such bids, offers or purchases shall be made subject to the usual and the same charges of this association, to include, and they shall include, switching, inspection, weighing, freight—if a 'delivered' bid and freight on dockage if a 'track' bid—interest on advances and all other charges according to the rules of this association, the same as if said grain or seeds were handled on commission through said association; and they shall render an account to the seller for all such purchases, including said charges separately stated in detail; and any person, firm or corporation who shall violate any of the provisions of this section shall be liable and subject to the same penalties as are provided in section 11 of Rule VIII and section 7 of Rule IV of the general rules of this association."

PAR. 10. Rule VIII required all members when buying grain "on track" at country or other points, for shipment to Minneapolis to pay no more than the price of the same grain made by the respondent members in the exchange room of the respondent chamber (called "Minneapolis base price") less the regularly prescribed commission rate, or a profit equal to said rate exclusive of freight and other charges. This rule in this respect did not apply to the purchase of grain from Omaha, Kansas City, and other terminal markets, except at St. Paul, Minn.

It did not, however, prevent the members from paying less than the said base price for such grain but prohibited them from paying more, and had a tendency to depress grain prices. The rule prohibited a member when buying on his own account carload lots of grain "on track" at country points from paying more than the Minneapolis base price, less freight and other charges, including the amount of the commission rate prescribed by the said rule. That is, the rule required the said member, in said purchases, to make a charge against the grain in the guise of a commission when no commission service was rendered, and prohibited the members, under a heavy penalty, from paying more for grain "on track" in carload lots at country points for shipment to Minneapolis than the shipper would receive for his grain were it being sold at that time in the exchange room of the said chamber in a commission transaction. The

effect of this was to place "on track" purchases of grain precisely upon the same basis as commission transactions in Minneapolis, and gave to the shipper of grain in carload lots at country points to Minneapolis the same amount for his grain whether he consigned it to Minneapolis to be sold on commission by a member of the chamber, or whether he sold it outright "on track" at country points or "to arrive" to a member of the respondent chamber.

To enforce its provisions on this point the rule offered a reward of $1,000 to any informant that would furnish evidence that would convict a member or a concern represented by membership of a violation thereof. The penalty provision of the said rule has been enforced by the said chamber in a number of instances and the penalty imposed.

PAR. 11. Rule VIII in section 11 forbade any person doing business in the chamber to charge less than, or to evade, directly or indirectly, the regular commission rates established by the rules of the chamber or to assume or rebate any part thereof and punished a violation thereof by a fine of not less than $250 or more than $1,000. The penalty provision of this portion of the rule has also been enforced and the penalty imposed.

Under this rule, and additional special rules passed for the purpose, the chamber refused membership in it to cooperative associations such as the Equity Cooperative Exchange which returned to the shipper earnings or surplus in proportion to the amount of patronage received, and prohibited the respondent members from dealing with the said Equity Cooperative Exchange.

This action on the part of the chamber hindered and suppressed competition from the cooperative terminal marketing of grain in the Northwest and protected members of the respondent chamber from the competition of cooperative associations.

PAR. 12. One of the main functions of the said chamber was to maintain an exchange room and trading facilities for the exclusive use of its members. In this room the members made sales and purchases of cash grain and grain futures either upon their own account or for others, as stated in paragraph 5 of these findings.

PAR. 13. To the floor of this exchange room the chamber invited and admitted public telegraph companies to gather the continuous quotations of prices on the sales of grain offered and accepted as aforesaid in the exchange room during its business hours. These quotations, as soon as made, were received by the telegraph companies in the said room and were immediately sent by telegraph lines and instruments to all of the principal towns and cities, and by means of ticker circuits to the places of business of all who desired to receive and pay for the same. The quotations consisted of two kinds, to wit, "continuous" quotations, which meant a telegraphic service supplying price quotations oftener than 10-minute intervals, and "periodical" or "interval" service, which consisted of supplying price quotations at intervals of more than 10 minutes.

PAR. 14. Grain exchanges have, for many years past, by trade usage and custom, been accustomed to permit telegraph companies to furnish, and, in accord with such usage and custom, the said telegraph companies did furnish continuous and interval service to other grain exchanges. By the same usage and custom each exchange also permitted its members to furnish its own quotations to their customers upon terms and regulations agreeable to the exchange, irrespective of the importance or the volume of the business done, provided the exchange and its members and their customers did not publish or make a wrongful use of such quotations. And the respondent chamber has, at all times, permitted telegraph companies to furnish its "periodical" quotations to many thousands of nonmembers, some of whom were not in the grain business.

PAR. 15. Until October 6, 1902, the respondent chamber permitted the telegraph companies operating on its said exchange floor to distribute both kinds of its price quotations without requiring them to obtain its approval in respect to the parties who sought them. On that date the chamber for the first time claimed that the quotations were its property and it then directed the telegraph companies to send out "continuous" quotations to such persons only as the said chamber thereafter approved.

PAR. 16. Beginning with July 21, 1914, the said chamber, by contract with the said telegraph companies, thereafter exercised control over all its price quotations, and by it claimed the right at any time to stop deliveries of all said price quotations, without any excuse therefor, by simply notifying "the telegraph companies to stop sending them to any particular person named."

This contract also required the telegraph companies to submit the chamber for its approval all applications of their subscribers for periodical quotations, and the chamber agreed therein to hold the telegraph companies harmless from any damages arising from the refusal on the part of the telegraph companies to furnish them to an applicant.

PAR. 17. After said date both the Equity Cooperative Exchange and the St. Paul Grain Exchange made applications at different times to the said telegraph companies for service in respect to both kinds of said quotations. But the respondent chamber refused each time to permit the telegraph companies to furnish either the Equity Cooperative Exchange or the St. Paul Grain Exchange with such quotations. Both these exchanges were able, ready and willing to pay for such quotations and to abide by and to agree to all of the rules and regulations required by the chamber of all applicants and subscribers for its said quotations, and nothing in the conduct of the business of either of them prevented them from obeying such regulations.

PAR. 18. These quotations were at all times and are now necessary to any one dealing in grain in carload lots. No grain in carload lots could at said times or can be sold intelligently without the knowledge of the said quotations.

PAR. 19. By means of boycott and threats of boycott the said chamber and the members thereof conspired and agreed among themselves and with others to induce its members and others to refuse to buy from, sell to, or otherwise deal with the said Equity Cooperative Exchange, its stockholders, or the members of the St. Paul Grain Exchange. The said respondents for more than 10 years last past have been engaged in a conspiracy and agreement among themselves and with others to annoy, embarrass, and destroy the business of the said Equity Cooperative Exchange, its stockholders, and the St. Paul Grain Exchange and its members, with the purpose and the intent of the said chamber, its officers and members, to secure and maintain for it and its members a monopoly of the grain trade at Minneapolis, Minn., and within 100 miles thereof. That all these activities mentioned herein in these findings on the part of the said chamber, its officers and members, secured and retained for them a monopoly of the grain trade at Minneapolis and within 100 miles thereof, and unduly hindered and restrained competition in interstate commerce between the members of the said chamber on the one hand and the said Equity Cooperative Exchange and its stockholders and the members of the St. Paul Grain Exchange on the other.

PAR. 20. The said Equity Cooperative Exchange at Minneapolis, from the time it commenced operating in 1907 until August 1, 1912, marketed its grain through a nonmember of the said chamber, who, without objection, sold most of the grain to members of the said chamber. This amount of grain sold by the said Equity Cooperative Exchange through the said nonmember until August 1, 1912, was small. On or about that date the said Equity Cooperative Exchange ceased to sell grain throughout the said nonmember and established its own office in Minneapolis and attempted to operate an independent market wherein its members might purchase, sell, and handle grain in interstate commerce. Thereupon, in order to hinder, embarrass, and destroy the business of the said Equity Cooperative Exchange and that of its members as competitive grain dealers, the said chamber of commerce, its officers, directors, and members instituted said boycott and thereupon continuously refused to buy grain from the said Equity Cooperative Exchange.

PAT. 21. The said chamber and its members maintained said boycott, among other ways, by the adoption, enforcement, and interpretation of certain resolutions, which were printed by said chamber and sent to all its members in the form of Circular No. 405, passed October 8, 1912, and Circular No. 634, passed January 11, 1916.

Circular No. 405 falsely charged, among other things, that in many cases wherein nonmembers of the said chamber solicited shipments of grain and employed members of the said chamber to sell it, the shipments were obtained by the said nonmembers by various false statements, and closed with the following resolution:

"*Now, therefore, be it resolved*, That members of the chamber of commerce are hereby forbidden to act in any manner as the agent or representative of any individuals, firms or corporations, in the cities of Minneapolis, St Paul, or elsewhere, not members of the chamber of commerce, who are soliciting shipments of grain from the farmers or country shippers in the manner above mentioned, or through any scheme, artifice, or device, by which this association is falsely represented, either in its dealings or in the right which the

shippers get with respect thereto, or at all, unless the person so soliciting such shipment can show a written statement of the shipper to the effect that he realizes that the person receiving such shipment is not a member of the chamber and can not get advantages out of the chamber which he could not himself get."

The effect of this circular was to compel competitors of the members of the chamber to hold grain consigned to them until they received the written statement from the shipper required by the resolution above. This was intended to cause expense, delay, and loss of the business to said competitors.

PAR. 22. About January 11, 1916, and with the same purpose, intent, and effect, the said chamber and its members printed and published and sent to all its members broadcast a second resolution named by it, Circular No. 634. This circular falsely charged, among other things, the following: That there were persons in the grain trade (meaning the Equity Cooperative Exchange and its members, and members of the St. Paul Grain Exchange), who were still doing the things charged in said Circular No. 405; that some such persons were then using various schemes and pretenses to fraudulently conceal the fact that the farmers and other shippers pay more than reasonable amounts to market their grain through them, and that some of such parties induced some members of the said chamber to make purchases of that grain outside of the exchange room of the said chamber and sell it in the said exchange room at unreasonable gains to said members and caused the said shipper to pay from 2 to 19 commissions, and closed with the following resolutions.

"*Now, therefore, be it resolved*, That no member of this association, either as owner or commission merchant or at all, shall hereafter sell any grain in the exchange room of the Chamber of Commerce of Minneapolis, which such member knows or has reason to believe was originally consigned to anyone, either as commission merchant or otherwise, from either farmers or country shippers as the result of any of the fraudulent or wrongful practices or methods described in said resolution of October 8, 1912, or herein. Be it further

Resolved, That it is the opinion of the board of directors of this association that the making of either profits or commissions which directly or indirectly result from deception practiced upon shippers in the marketing of their grain can not be too strongly condemned at all times by all people and in all places."

These circulars containing such rules and resolutions were interpreted by the chamber as forbidding its members to act in any manner for the Equity Cooperative Exchange and its stockholders; and the secretary for the chamber in writing to members of the chamber so interpreted them, and in order to enforce the observance of these rules and resolutions the chamber required and received from members of it disclosures of transactions had by them with the Equity Cooperative Exchange or its stockholders.

PAR. 23. The respondents, between May, 1912, and May, 1917, with the plan and purpose of injuring and destroying the business of the said Equity Cooperative Exchange and the said St. Paul Grain Exchange, published, in trade and daily newspapers, false and misleading statements concerning their financial responsibility and the methods used by them and their officers and members in transacting business in grain. Among these trade and daily newspapers were the Cooperative Manager and Farmer, the National Grain Grower and Equity Farm News, the Fargo Forum, and the Fargo Daily Courier News. These publications the respondents circulated and distributed to and among customers and prospective customers of the members of the said exchanges. They likewise distributed the said articles in reprints, pamphlets, and official correspondence, and through traveling grain solicitors in the employ of the respondent members of the said chamber. In these articles the respondents vigorously attacked the said Equity Cooperative Exchange and the said St. Paul Grain Exchange, especially so in the Cooperative Manager and Farmer; they attacked editors who published comments and articles favorable to the said Equity Cooperative Exchange; they advised country elevator directors not to interfere with the managers of the said country elevators in the matter of choosing the persons and places to which their grain should be shipped; they pretended to offer expert advice on cooperative marketing of grain, while at the same time they conducted a campaign against cooperative terminal marketing; and they attacked country elevators which shipped grain to the said Equity Cooperative Exchange.

PAR. 24. The said National Grain Grower and Equity Farm News prior to July, 1913, was the official organ of the American Society of Equity, an association of farmers with which the Equity Cooperative Exchange during the first years of its existence was affiliated, and it supported the Equity Cooperative Exchange and advocated cooperative methods of doing business. In that month the said chamber persuaded owners of the National Grain Grower and Equity Farm News to refuse to support any longer the said Equity Cooperative Exchange and its methods and to give it any more space therein. During the following year the said National Grain Grower and Equity Farm News published articles in condemnation of the said Equity Cooperative Exchange and in praise of organized exchanges, particularly the said respondent chamber, which during that time paid the National Grain Grower and Equity Farm News at least $2,500 for extra copies. In the same year many thousands of extra copies of the said National Grain Grower and Equity Farm News containing said articles defamatory of the said Equity Cooperative Exchange were circulated and paid for by the respondent chamber, while the issues of the said National Grain Grower and Equity Farm News still bore the legend "Official organ of the American Society of Equity," notwithstanding this paper had ceased to be such official organ after July, 1913.

PAR. 25. Among the defamatory articles was one that appeared in the May, 1912, issue of the said Cooperative Manager and Farmer and republished therein in 1914. This article falsely accused the Equity Cooperative Exchange of conducting a fraudulent transaction and of charging a shipper "double commission" on certain carloads of grain shipped to said exchange by the Farmers Elevator Co., of Glenburn, N. Dak. Upon investigation the Railroad and Warehouse Commission of Minnesota found and stated that no fraud had been committed by the Equity Cooperative Exchange or its sales agent, P. E. Cooper, in respect to such transaction. P. E. Cooper thereupon demanded retraction by the respondent chamber, but it again referred to this mater as a fraudulent transaction in an article entitled "History of Equity Cooperative Exchange," published in June, 1914, issue of the Cooperative Manager and Farmer. In 1917 the chamber also printed and circulated it in a pamphlet entitled "Equity Cooperative Exchange Question Book." These articles aroused the Equity Cooperative Exchange to the adoption of a more aggressive attitude in carrying out the policy of cooperative marketing. Among other things it changed its management at Minneapolis. In June, 1914, the Cooperative Manager and Farmer stated, as follows:

"This instance of the Glenburn Farmers' Elevator Co. in shipping to the Equity Cooperative Exchange was made public in May, 1912, issue of the Cooperative Manager and Farmer, and the publication of this fraud upon the Glenburn Farmers' Elevator Co. resulted in a very great uproar in Equity society circles. In order to satisfy the outcry which resulted, Mr. P. E. Cooper was made the 'goat,' and the Equity Cooperative Exchange proceeded, on August 1, 1912, to employ Mr. George F. Loftus, representing the Loftus-Hubbard Co. as sales agent." (Com's. Ex. 37, p. 30, 2d col., 2d par.)

PAR. 26. The said chamber collected and furnished to the said Cooperative Manager and Farmer practically all of the copy and data used in the articles it published detrimental to the said Equity Cooperative Exchange.

PAR. 27. Upon the appointment of Loftus on August 1, 1912, as manager, the Equity Cooperative Exchange attempted to carry out the principles of cooperative marketing by opening at Minneapolis for the said exchange a terminal market called the Independent Grain Exchange. As soon as this was done the respondent chamber established a system of espionage. The secretary of the chamber, to wit, Respondent John G. McHugh on August 10, 1912, wrote to Respondent Timmerman, at that time president of the Commission Merchants Association, as follows:

"Loftus is now agent for the Equity in place of Cooper. * * * We believe it might be to interest of Commission Merchants Association to keep an eye on operations of Farmers' Equity Union, mentioned in their letter of the 17th."

With this letter he inclosed an advertisement of the Equity Cooperative Exchange. On August 23, 1912, the said respondent, John G. McHugh, sent a second letter to Respondent Timmerman, inclosing a letter from the Gould Grain Co. and also a letter from the traveling representative of the Gould Grain Co. stating as follows:

"Since Loftus has taken over the management of the Equity it is probable that their operations will be pushed most aggressively, and we believe the commission merchants, through their representatives, should keep our office closely advised regarding any information as to shipments to this company.

We believe the matter deserves the careful consideration of the Commission Merchants' Association."

PAR. 28. The respondent, John G. McHugh, as secretary for the said chamber, wrote other letters which were intended to destroy, and which did injure, the credit and standing of the Equity Cooperative Exchange with banks, farmers, and customers, and the public generally. The following letter dated August 17, 1904, and written by J. M. Withrow, an attorney for the respondent chamber, to P. L. Howe, at that time a member of the said chamber, is an example:

"The information which I am receiving at present tends to show that the farmers' elevators, which have previously given them accommodation notes are becoming alarmed over them and the credits which they thus created, and I am of the opinion that if inquiries were made by a number of banks at the terminals of some of the local banks where these elevators were located, asking whether the elevator companies were good for obligations for specific sums of from five thousand to ten thousand dollars that the officers of these banks would be very likely to let the information leak around as to inquiries being made; more particularly would that be true in cases where the local officers are Scandinavians, and they would undoubtedly begin to worry as to the reasons why such inquiries were being made and anxious to secure the return of their obligations. If the same thing were done with reference to the individuals who signed the $50,000 guaranty which Loftus is using as a basis of credit, I think you would find that these men would be anxious to get out from under.

"My private advice is that that is the present condition with Mr. Leum, of Maysville, who, I understand, has the best financial rating of anyone on that particular guaranty. My understanding is that his business competitors and associates have joshed him so much about it that he is very much worried over the matter and a few inquiries to his bank would, I think, tend to increase his anxiety. * * *

"I am writing this matter very fully to you because I consider it advisable not to communicate with any other associative (sic) parties at present; besides I know that you will understand how to handle the information." (Com's Ex. 145, p. 27.)

The suggestions made in the above letter were carried out with injurious effect, as shown in the portion of the letter quoted on page 24 of these findings.

PAR. 29. Another course of espionage conducted by the respondents consisted of tracing shipments of individual cars of grain consigned to the Equity Cooperative Exchange. Based upon the data so secured, the respondents then published articles containing false, unfair, and misleading statements. Thus in one article respondents listed 428 such cars shipped to the said exchange and purported to give the correct prices received by the shipper from the said exchange. Concerning this list the respondents published in 1914 and republished in substance in 1917 the following statement:

"The Equity Cooperative Exchange then accounted to the shipper for these cars, as sold at the net price received by them, and then charged another commission to the shipper * * *."

Whereas the fact was that on 381 of the 428 cars the Equity Cooperative Exchange charged the shippers no commission at all, and furthermore the prices received by the shipper from the said exchange for the sales enumerated therein were higher than the prices indicated by the respondents in the said list which accompanied and was a part of the said article.

Another article published during 1917 contains a list of cars sold in 1915 and was entitled "A list of cars showing recent sales made at a loss to shippers." The sales so published were not recent nor were they made at a loss to shippers. The list is incomplete and purports to show the profit made by the resale of the cars, while the said list in fact neither exactly nor approximately represents the profit so made. The article takes no consideration of market changes during the time which elapsed between the purchase and sale of the cars. In some instances no consideration of the condition of the grain was made. In other instances prices purporting to have been received by the shipper were inaccurate, and in many instances where the shipper received more than the grain actually brought at resale such cars were published in a manner and in connection with statements which made it appear that the shipper lost money by not consigning such grain to respondent members when in fact the shipper received more than any price officially reported by respondent chamber for the same grade and quality of grain sold on respondent chamber on the day of such sale.

PAR. 30. Respondents, during the years 1914 to 1917, frequently published statements to the effect that grain consigned to the Equity Cooperative Exchange cost the shipper additional commissions for each cent of profit made on the resale of grain, and published at the same time and in connection therewith that any member of the chamber of commerce who would charge more than one commission would be expelled from membership while over 11 per cent of the grain consigned to respondent members was resold by them, usually at a profit. Some of this grain was sold by the consignee, a member, to another member at one-half cent per bushel, and by that member to another, and by him to still another, each making a half cent per bushel thereon, and then repurchased by the consignee, who, after passing the title through others and back to himself bought it at a profit in some instances as high as 14 cents a bushel. Cars published by respondent as having been sold by the equity below "Chamber of commerce values" actually sold at prices higher than any officially published "Chamber of commerce values" on the date of the sale. Many other prices received for such cars were well within such reported values. In general the prices received by the Equity Cooperative Exchange for grain consigned to it were as high as those prices received for consigned grain by members of respondent chamber. A publication known as the "Market Record," published at Minneapolis, was the official organ of the respondent chamber for the purpose of publishing the prices at which various kinds of grain are sold on respondent chamber's floor. Such prices were published daily and held out to the public as the prices at which grain in truth was actually sold. The fact is these prices so published were incomplete, in that all sales were not reported by respondent members, therefore the "Chamber of commerce values" could not be mathematically determined.

PAR. 31. This same false, unfair and misleading matter was thereafter constantly used to the injury and disadvantage of the Equity Cooperative Exchnge. Though campaign of defamation ceased officially in 1917, the matter so circulated during the preceding five years has been and is now used by farmers, bankers, country elevator officials and shippers to the financial injury of the Equity Cooperative Exchange.

PAR. 32. Respondents published in December 1914, or within two or three months of the organization of the St. Paul Grain Exchange, an illustrated article derogatory to the St. Paul Grain Exchange and entitled: "Equity Exchange moves to St. Paul.—The St. Paul-department-store-mail-order-grain-exchange."

At page 51 this article states:

"Department stores and barber supply houses and retail merchants of St. Paul are not justified in assisting in this deception by supporting a make-believe grain exchange such as the so-called St. Paul Grain Exchange, even though the activities of the St. Paul newspapers in supporting the St. Paul Grain Exchange does bring in a few farmers to St. Paul taking the business away from their local merchants; even this does not justify the wrong done and the deception practiced upon the farmers and farmers' elevator companies in the Northwest by the so-called Equity Cooperative Exchange."

Respondent published many other articles containing statements defamatory of the St. Paul Grain Exchange during the period 1914 to 1917.

PAR. 33. To eliminate the competition of those engaged in cooperative methods of marketing grain at Minneapolis and surrounding territory, the said respondents combined and conspired among themselves and with each other to destroy the said Equity Cooperative Exchange and to destroy the business of the St. Paul Grain Exchange and that of some of its members. As a part of their plan to carry out this purpose, the respondents persuaded Fred Schmidt, J. Emerson Greenfield, and Samuel Crumpton, holders of one share each of the capital stock of the said Equity Cooperative Exchange, to bring in their own names as plaintiffs, against the president and secretary of the said exchange, a proceeding by mandamus to obtain data from the books of the said cooperative exchange upon which to base another subsequent action to have the said Equity Cooperative Exchange declared insolvent, adjudicated a bankrupt, to have a receiver appointed, and its charter annulled.

PAR. 34. Accordingly and on or about July 24, 1914, and in the District Court of the Third Judicial District for the State of North Dakota, the three said stockholders, by an attorney named Edward Engerud, brought a proceeding by

mandamus against the president and the secretary and treasurer of the said Equity Cooperative Exchange to compel them, as such officers of the exchange, and the said exchange to permit an examination of the books of said Equity Cooperative Exchange. After a hearing the said district court granted the petition of mandamus commanding the cooperative exchange and its said president and secretary and treasurer to permit an examination of said books. On or about December 15, 1914, the Supreme Court of North Dakota affirmed the decision of the district court and on February 2, 1915, denied a petition of the said Equity Cooperative Exchange for a rehearing. In consequence of this decision the respondents examined the books of the said exchange. All of the costs and disbursements of these suits, including the fees of said Edward Engerud, attorney for the petitioners, plus the expense attendant upon the examination of the said books, were paid by the respondent chamber.

PAR. 35. Based upon an examination of the said books, made under authority of said writ of mandamus, and upon about fifty affidavits made by as many members of respondent chamber of commerce and at the instance of said respondents, the State of North Dakota on the relation of Henry J. Linde, the attorney general of said State, on or about April 23, 1915, brought suit to annul the charter of the said Equity Cooperative Exchange, to have it declared insolvent and a bankrupt, and to have a receiver appointed for it. This suit was tried by said Engerud, who was appointed a deputy attorney general to said attorney general by the State of North Dakota, for the purpose of conducting this case. This proceeding seeking the appointment of a receiver and the annulment of the charter of the Equity Cooperative Exchange was dismissed by the court on the ground that the exchange was not insolvent.

PAR. 36. Until the said date of the beginning of the proceeding by mandamus the said Greenfield and Crumpton, two of the three plaintiff's shareholders named above, were partners doing business as a commission house located at Superior, Wis., and were acting there as sales agents for the said Equity Cooperative Exchange. On that date, however, and at the instance of the said chamber of commerce they brought in the United States District Court for the Fourth Division, District of Minnesota, against said exchange a suit for damages arising from an alleged breach of contract with said firm. This suit was conducted by an attorney named J. M. Witherow, whose services therein were paid by the said respondents. The action was dismissed by the court for lack of jurisdiction and nothing was ever further done to recover the amount claimed. The said suit was instituted and prosecuted by said respondents in bad faith with purpose, intent and effect of hindering and obstructing the business of the said Equity Cooperative Exchange, and of injuring its credit and reputation.

The said Witherow in reporting to P. L. Howe, a respondent member of said chamber, on August 4, 1914, states:

"The publicity which we have been giving them in the newspapers has had a very unfavorable effect upon them and is making many of the farmers suspicious of their actions. When I am able to make public the affadavit which I yesterday secured from Mr. Smith, of Voltaire, and also the fact that they were securing accommodation notes from the farmers in large amounts which are being pledged to terminal bank, I think you will find the farmers will be very much more frightened."

PAR. 37. To further injure the credit and standing of the Equity Cooperative Exchange the respondent chamber caused inquiries and investigations to be made at banks and other financial backers of the said exchange and stockholders therein in order to create in them a suspicion that all was not well financially with the said exchange and its stockholders.

The following letter is illustrative of this practice:

THE CHAMBER OF COMMERCE OF MINNEAPOLIS,
July 20, 1914.

MR. EDWARD ENGERUD, *Fargo, N. Dak.*

DEAR SIR: Your letter of recent date addressed to the Cooperative Managing Farmer, with reference to the results which developed from your partial examination of the books of the Equity Exchange at Fargo was presented to the undersigned this morning and read with much interest.

I inclose herewith a memorandum which explains itself. The data furnished in this memorandum was furnished in a very confidential manner, and I desire it to be so treated. An examination of the books and records of the Scandinavian-American National Bank, however, would disclose the situation

to be as set forth in this memorandum. It occurred to me that if you were acquainted with the facts and knew where information was to be had and what that information would be that it would be possible for you to secure it either by securing authority from the Equity Exchange to a chartered accountant to examine the records of the Scandinavian-American National Bank, of Minneapolis, or otherwise.

The names of the farmers' elevator companies whose notes are held by the bank as collateral and the amount of these notes would be very interesting and desirable but this information we were not able to secure at the time, although it is possible that this may be secured later. We consider this very important as it is entirely possible that the amount of the notes of farmers' elevator companies put up as collateral by the Equity Cooperative Exchange might exceed many times the amount due the Equity Exchange from the farmers' elevator companies.

We felt that with this information in our hands you would be able to take such action as would secure its disclosure without causing the undersigned or his informant any embarrassment.

I believe that the Mr. J. C. Berg of Hindrum, Minn., mentioned on the memorandum inclosed herewith, is quite a friend of your partner, Mr. Frame.

Very truly yours,

JOHN G. MCHUGH, *Secretary.*

Acting under this direction Attorney Engerud "without causing the undersigned or his informant embarrassment," secured by means of deposition much information "concerning farmers' elevator companies whose notes were held up by the Scandinavian-American National Bank of Minneapolis" and other information of a confidential character.

PAR. 38. These actions cost the said exchange for attorneys' fees, witnesses' fees, court costs, and other expenses, including loss of time of its officials and employees, not less than $20,000. They injured greatly its credit and standing with the public generally and with shippers of grain. In addition to the direct outlay necessitated by this litigation, the credit of the Equity Cooperative Exchange was seriously affected thereby and the confidence of the public generally, and the grain shippers in particular, was greatly weakened by the charges and allegations of unfair and dishonest conduct made and published by the plaintiffs in connection with the litigation and proceedings in question.

CONCLUSION.

That by reason of the facts set forth above, the respondents and all of them have committed acts to the prejudice of the public and competitors of respondent chamber and competitors of the members of respondent chamber, and which acts constitute unfair methods of competition in commerce within the intent and meaning of section 5 of an act of Congress, entitled, "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914.

By the Commission:

HUSTON THOMPSON, *Chairman.*

Dated this 28th day of December, A. D. 1923.

Attest:

OTIS B. JOHNSON, *Secretary.*

United States of America. Before Federal Trade Commission. At a regular session of the Federal Trade Commission, held at its office in the city of Washington, D. C., on the 28th day of December, A. D., 1923.

Present: Huston Thompson, chairman; Vernon W. Van Fleet, Nelson B. Gaskill, Victor Murdock, John F. Nugent, commissioners.

Federal Trade Commission *v.* The Chamber of Commerce of Minneapolis; the Officers and Board of Directors and Members of the Chamber of Commerce of Minneapolis, Manager Publishing Co., John H. Adams, and John F. Flemming. Docket No. 694. Order to cease and desist.

This proceeding having been heard by the Federal Trade Commission upon the complaint of the commission, the answers of the respondents, and the stipulations as to the facts entered into by counsel representing the commission and counsel representing respondents, and the commission having made its findings as to the facts with its conclusion that the respondents have violated the

provisions of the act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes";

Now, therefore, it is ordered that the respondents: The Chamber of Commerce of Minneapolis; C. A. Magnuson, C. M. Case, William Dalrymple, A. C. Andrews, B. F. Benson, W. T. Frasier, H. P. Gallaher, J. B. Gilfillan, jr., H. S. Helm, Asher Howard, John McLeod, J. H. MacMillan, F. C. Van Dusen, John G. McHugh, and all other members, officers, directors, agents, servants, and employees of the Chamber of Commerce of Minneapolis, Manager Publishing Co.; John H. Adams, and John T. Flemming, and each of them and their or its officers, agents, solicitors, representatives, servants, and employees and all other persons acting under, through, by or in behalf of them or any of them, forever cease and desist:

From combining and conspiring among themselves or with others, directly or indirectly, to interfere with, or injure, or destroy the business or the reputation of the St. Paul Grain Exchange, or its officers and members, or the Equity Cooperative Exchange, or its officers and stockholders (or other competitors of the respondent chamber and its members) by:

(1) Publishing or causing to be published in any newspaper, periodical, pamphlet, or otherwise, or circulating, or causing to be circulated, orally or otherwise, among the customers or prospective customers of the members of the St. Paul Grain Exchange, or the public generally, any false or misleading statements concerning the financial standing, the business, or the business methods of said exchange, its officers, or members or concerning the said Equity Coperative Exchange, its officers, or stockholders.

(2) Instituting vexatious or unfounded suits, either at law or in equity, against said Equity Cooperative Exchange with the purpose or intent or with the effect of hindering or obstructing the business of the said Equity Cooperative Exchange or injuring its credit and reputation.

It is further ordered that the respondents, the Chamber of Commerce of Minneapolis, C. A. Magnuson, C. M. Case, William Dalrymple, A. C. Andrews, B. F. Benson, W. T. Frasier, H. P. Gallaher, J. P. Gilfillan, jr., H. S. Helm, Asher Howard, John McLeod, J. H. MacMillan, F. C. Van Dusen, John G. McHugh, and all other members, officers, directors, agents, servants, and employees of the Chamber of Commerce of Minneapolis, and each of them, and their or its officers, agents, solicitors, representatives, servants, and employees, and all persons acting under, through, by, or in behalf of it or them, or any of them, forever cease and desist from:

(1) Combining and conspiring among themselves or with others, directly or indirectly, to induce, persuade, or compel, and from inducing, persuading, or compelling any of the members of said chamber, their agents, or employees, to refuse to buy from, sell to, or otherwise deal with the St. Paul Grain Exchange or its members or the Equity Cooperative Exchange, or its stockholders, or the customers of any of them, because of the patronage dividend plan of doing business adopted by the said Equity Cooperative Exchange, or by any of the members of the said St. Paul Grain Exchange, as more particularly set forth in paragraph (4) infra of this order.

(2) Hindering, obstructing, or preventing any telegraph company or other distributing agent from furnishing continuous or periodical price quotations of grains to the St. Paul Grain Exchange, or its members, or to the Equity Cooperative Exchange or its stockholders.

(3) Passing or enforcing any rule or regulation, or enforcing any usage or custom, that prohibits or prevents members of the respondent chamber from conducting their business of dealing in grain according to the cooperative method of marketing grain or according to the patronage dividend plan, like or similar to the method or plan adopted by the Equity Cooperative Exchange.

(4) Denying to any duly accredited representatives of any organization or association of farmer grain growers or shippers admmission to membership in said respondent chamber, with full and equal privileges enjoyed by any or all of its members or by any or all concerns represented by membership in said respondent chamber of commerce, because of the plan or purpose on the part of such organization or association to pay or purpose to pay patronage dividends or to operate or purpose to operate according to the cooperative plan of marketing grain, namely, the plan of returning any portion or all of its earnings or surplus to its patrons or members on the basis of patronage, whether such earnings or surplus is derived from charging patrons or members commissions or otherwise.

(5) Passing or enforcing any rule or regulation or enforcing any usage or custom, that compels shippers of grain to Minneapolis, Minn., from country points or from St. Paul, Minn., to pay commission or other charges, unless and until like commissions and charges are paid by shippers of grain to Minneapolis form Omaha, Nebr., or from Kansas City, Mo., or other such favored markets.

(6) Passing or enforcing any rule or regulation, or enforcing any usage or custom, that prohibits members of the respondent chamber, when buying grain on track at country points from paying therefor more than the market price of similar grain prevailing at that time in the exchange room of the respondent chamber, less freight, commissions, and other charges.

(7) Promulgating, interpreting, or enforcing any rule, custom, regulation, or usage in such a manner as to require any member of respondent chamber to pay to the farmer, or country shipper or other person, a price for grain limited to a price equivalent to or identical with the Minneapolis market price, or otherwise limit the exercise of free will and individual independent judgment of any such member as to the price which he shall pay, or which he desires to pay, farmers, country shippers, or others for grain on track at country points.

It is further ordered that the respondents, the Chamber of Commerce of Minneapolis; C. A. Magnuson, C. M. Case, William Dalrymple, A. C. Andrews, B. F. Benson, W. T. Frasier, H. P. Gallaher, J. B. Gilfillan, jr., H. S. Helm, Asher Howard, John McLeod, J. H. MacMillan, F. C. Van Dusen, John G. McHugh, Manager Publishing Co.; John H. Adams, and John H. Fleming, shall, within 60 days after the service upon them of a copy of this order, file with the commission a report in writing setting forth in detail the manner and form in which they have complied with the order to cease and desist heretofore set forth.

By order of the commission: Commissioners Van Fleet and Gaskill dissenting.

[SEAL.] OTIS B. JOHNSON, *Secretary.*

(Whereupon the committee then adjourned to 10 o'clock a. m. Thursday, January 10, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

THURSDAY, JANUARY 10, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 324, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Kendrick, Heflin, Norbeck, McKinley, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order. We will continue with you, Mr. Ingerson.

FURTHER STATEMENT OF MR. RALPH INGERSON, FLAXTON, N. DAK.

Mr. INGERSON. I would like to just draw your attention, gentlemen, to this further statement in paragraph 24 of the opinion of the Federal Trade Commission which I mentioned yesterday. In discussing it yesterday I was attempting to show or just give you some idea of the efforts that we have made through cooperative methods to alleviate our own desperate conditions, and some of the reasons why I believe we have failed. It seems that the power of the Minneapolis Chamber of Commerce has been such that they have been able to raise such obstacles in our path that it was impossible for us to overcome them, and this was one of the methods used as found by the Federal Trade Commission in their investigation, and this report is full of similar instances. But this is another of the glaring ones. This is in paragraph 24:

> The said National Grain Grower and Equity Farm News prior to July, 1913, was the "official organ" of the American Society of Equity, an association of farmers with which the Equity Cooperative Exchange during the first years of its existence was affiliated, and it supported the Equity Cooperative Exchange and advocated cooperative methods of doing business. In that month the said chamber persuaded owners of the National Grain Growers and Equity Farm News to refuse to support any longer the said Equity Cooperative Exchange and its methods and to give it any more space therein. During the following year the said National Grain Grower and Equity Farm News published articles in condemnation of the said Equity Cooperative Exchange and in praise of organized exchanges, particularly the said respondent chamber, which during that time paid the National Grain Grower and Equity Farm News at least $2,500 for extra copies. In the same year many thousands of extra copies of the said National Grain Grower and Equity Farm News, containing said articles defamatory of the said Equity Cooperative Exchange were circulated and paid for by the respondent chamber while the issues of

the said National Grain Grower and Equity Farm News still bore the legend "official organ" of the American Society of Equity, notwithstanding this paper had ceased to be such official organ after July, 1913.

That is, the Chamber of Commerce was able in some way to persuade the avenues of publicity that we had built up through our original society, the American Society of Equity, to turn against us and to discourage us and to arouse suspicion among us, so that we could not cooperate.

This report goes on. I will not attempt to read it all in the record, as I understand it is to be appended to the hearings in full, and I hope you gentlemen will take the time to read it all. It shows that there were false charges made and lawsuits filed with no foundation, leading us through the courts, and making us spend our efforts in fighting for our rights, and using the authority of the Government to prevent cooperative effort being successful.

Senator GOODING. In what way did they use the Government?

Mr. INGERSON. They made charges of insolvency, unbased, and officially found to be unbased, and carried that kind of cases through the courts and put the Equity Cooperative Exchange to the expense and trouble and annoyance of defending them, and at the same time used their avenues of publicity to discredit us because they had us in the courts, and to throw suspicion on us. Although those charges were found to be unfounded and were dismissed in the end, nevertheless, they were something very expensive for us to go up against.

The CHAIRMAN. Now, I want to ask you about that, Mr. Ingerson. I suppose you were connected with this organization during those years?

Mr. INGERSON. I was not personally a stockholder in the Equity Cooperative Exchange. I did have, however, considerable faith in it. I had belonged to the Society of Equity.

The CHAIRMAN. You knew about these charges when they were made, I suppose.

Mr. INGERSON. I read them and heard of them.

The CHAIRMAN. As I understand it, this organization, when it was organized and established, established this newspaper.

Mr. INGERSON. They did.

The CHAIRMAN. And it became their official organ?

Mr. INGERSON. Yes, sir.

The CHAIRMAN. Now, then, after they were established and had this newspaper supposedly representing them, the Chamber of Commerce of Minneapolis got control of the equity's own newspaper?

Mr. INGERSON. Yes.

The CHAIRMAN. And used that against them while it was still the official organ?

Mr. INGERSON. They left that legend or that slogan on the paper, but it was not the official organ.

The CHAIRMAN. I mean that after it became apparent that their own organ had gone under the control of the chamber of commerce they cut it out as an official organ?

Mr. INGERSON. Oh, yes.

The CHAIRMAN. But it was the official organ when these people got control of it, was it not?

Mr. INGERSON. Yes, sir.

Senator GOODING. How long did they use it?

Mr. INGERSON. This report and finding of the commission would show.

Senator GOODING. I thought you had that.

Mr. INGERSON. I could not tell you how long it was used for that purpose. I think that the name was changed somewhat. I do not know to just what extent. It is a rather long name.

The CHAIRMAN. Now, do you know about the number of subscribers it had? Every member was a subscriber?

Mr. INGERSON. Originally, while I was a member of the Society of Equity, there was a $5 membership fee, and the subscription was a part of the membership fee.

The CHAIRMAN. Exactly. So that when they got control of this they had access to every member of the organization?

Mr. INGERSON. Yes; and a great many more, I want to say. There was not a very active organization, as I told you yesterday, of the American Society of Equity in my part of the State at any time. There were a few locals, as they called them, with small memberships. But they also put this paper out on a subscription basis. I don't remember what the price was, because I was a member and got it through my membership; but a great many farmers who would be approached would say, "Why, I don't believe I will join the organization. I will think about it. But I would like to read your paper, and I will subscribe to your paper." So, while they could not prevail upon them to join always, they could very often get them to read the paper, and the paper had a very much greater circulation than the actual membership.

Senator RALSTON. Mr. Chairman, may I inquire whether this is going to the point that between some chamber of commerce and some farmers' organization a controversy arose in which the chamber undertook to put the farmers out of business, so to speak?

The CHAIRMAN. I would not say there was a controversy arose; but the Chamber of Commerce of Minneapolis was trying to prevent the farmers, as I understand it, who had been organized under the name of this society and had established a selling place at St. Paul, was it not——

Mr. INGERSON. Yes.

The CHAIRMAN. And established a selling place at St. Paul of their own.

Mr. INGERSON. Yes. The society did not. That was a stock company called the Equity Cooperative.

The CHAIRMAN. I understand, but it came about through their efforts.

Mr. INGERSON. They organized that.

The CHAIRMAN. In order to sell their own grain. The Minneapolis Chamber of Commerce wanted to kill that agency and wanted to handle it themselves. That was one of the things they undertook to accomplish. They wanted to break up this society and got possession of the society's own organ. I don't know that they bought it; but in one way they did, because I know they bought a whole lot o fextra copies of the paper, or at least this finding of the Federal Trade Commission says so. It says in one year they paid them about $2,500.

Senator GOODING. They influenced the editorials.

The CHAIRMAN. At least they controlled the publication and turned it against their own members. But that was not the only thing they did. They commenced litigation of various kinds, so the Federal Trade Commission says, unfounded, and that made it expensive.

Senator GOODING. And broke them up?

The CHAIRMAN. And broke them up.

I hope all the members will read in full this report of the Federal Trade Commission, because it came about in this way: The Federal Trade Commission under the law itself made a charge against the chamber of commerce and various individuals connected with it, charging them with unfair competition. That is the real object of the Federal Trade Commission—to prevent unfair competition. Upon that charge they had a trial and took evidence, and this is their finding.

Mr. INGERSON. I referred to these matters in the Federal Trade Commission's report to show that we have actually attempted and are now actually attempting by cooperative methods to solve our own problems. There has been a great agitation. The present administration has been at work to get the farmers to attempt cooperation. It seems to me that they have not taken cognizance of the fact that they have already been going through this fight, as this report says for the last 10 years. These tactics have been used against us, and we are now urged through Government representatives of the War Finance Corporation to begin to attempt a cooperative organization.

Senator GOODING. What help are we getting from the Secretary of Agriculture in cooperative work?

Mr. INGERSON. I can't answer that question.

Senator GOODING. Mr. Chairman, should we go into that?

The CHAIRMAN. Yes. I think the Secretary of Agriculture and the Agricultural Department is rendering all the assistance they can.

Mr. INGERSON. I think they are reaching out in the War Finance Corporation, Mr. Meyer and Mr. Mondell.

Senator GOODING. I don't think the Farm Bureau is cooperating or helping very much along those lines, are they?

The CHAIRMAN. They are to a certain extent. There are several farm organizations under the direction of the Farm Bureau.

Mr. INGERSON. I wish to present this as showing that we have made efforts to cooperate and build up cooperative marketing machinery, and all these things, and to show you some of the reasons why we have failed, some of the reasons why we are almost discouraged to go ahead with. The obstacles that they seem to have been able to throw in our path have seemed to us to be insurmountable. We have made some headway, and this report of the Federal Trade Commission is a gain in our attempt to bring about cooperative methods, but the farmers themselves, on account of these obstacles, are harder to organize to-day a great deal than they were 10 years ago. It is a great deal harder to convince the farmer that he has any chance of success.

Senator GOODING. Because he has had so many failures?

Mr. INGERSON. Yes, sir; failures caused by these methods used against us.

And so we believe that our only chance of having a cooperative marketing organization is to first get the United States Government behind such a proposition as the Norris-Sinclair bill. It is my hope and my belief that if that is done for us, to show the cooperatives, through the Government, through compulsory pools, if you wish to call it that, through Government operation of such a corporation as this provided in the Norris-Sinclair bill, if made a success, it will prove absolutely to the farmers that there is a chance of controlling the market conditions of various commodities through cooperation; and if it is put upon a practical basis, and is successful, I believe that in time it can be turned over to real cooperatives, and of course through Government operation, possibly. It is impossible for these other organizations that have come up to get a sufficient membership because of these failures. I believe it is a fact that it is impossible now to interest farmers in a movement of that kind.

Senator GOODING. In my State I find them pretty much discouraged. It is pretty hard to get them interested at all.

Mr. INGERSON. It is.

Senator GOODING. A lot of them in my State are going to the cities.

Mr. INGERSON. Oh, yes.

Senator GOODING. And I have discussed this situation in my State this summer. I found this, however, that bankers are taking more interest in these farmers' cooperative organizations than they ever did before, yet there is great opposition against them. They are the greatest enemies the farmer has at times—the business man and banker in his own town—although I think we are making some progress in bringing them around, because they can not be prosperous unless the farmer is prosperous.

Mr. INGERSON. I think, Senator, that the recent condition of the farmer reflected back in their business activities has helped to bring that around a great deal more than any argument that we have been able to make them.

Senator GOODING. I think that is so, yes. Just so long as it comes, that is what we are after.

Mr. INGERSON. Yes. Their help is welcome. This report has a paragraph or two right along that line. The chamber of commerce had an inquiry started from the big banks in Minneapolis, the correspondent banks of the small banks back in the country, to inquire into the financial standing, and so forth, of the signers or guarantors of the obligations of the cooperative exchange, scaring the good farmers, the financially-able farmers, away from us, so that they would not be able to get financial backing in their own ranks.

The CHAIRMAN. I understand from this report that inquiries were started out through large financial institutions, making inquiries as to the financial standing of various people in the community when, as a matter of fact, they had no object in making those inquiries except giving publicity to the fact that such inquiries were being made and that scared the fellow.

Senator RALSTON. With the object of doing what?

The CHAIRMAN. With the object of driving people out of the organization. "You are going to be personally responsible. They

are creating a whole lot of obligations here." In that way they were driving financially sound people out of the organization.

Senator GOODING. It was a plot to divide the farmers among themselves, and, of course, they could not succeed in establishing a market organization.

Mr. INGERSON. It has been right effective, not so much in division of opinion as to the righteousness and the necessity of cooperation, but making it impossible, making the obstacles so great that they could not overcome them.

Senator GOODING. You can not, of course, blame the grain dealer and the man who trafficks in farmers' products for fighting the farmers, but when a great commercial club and the bankers and business men that are living off of the farmer lend themselves to such an agency, it becomes a crime, in my estimation, and an outrage.

Mr. INGERSON. I believe there was a certain amount of coercion in it. That is my opinion. I have not read this report through thoroughly, and do not know that that is part of this report, but it is my opinion that there was a certain amount of coercion, because it has been my observation in North Dakota, at least, that the little country bank is as much under the thumb of the big city bank as the farmer is under the thumb of the country bank at home. The farmer is very hard to organize into a cooperative market. I state this advisedly, because I am acquainted with a large number of farmers, and I know how they feel about it. We do believe, however, that the power of government is great enough, exerted in the farmers' behalf, to overcome these obstacles. We believe that this cooperative—and we call it cooperative because we are using our cooperative government to bring it about—is great enough to bring it about for us through such legislation as the Norris-Sinclair bill. We know that the Government has helped us. We have a rather simple conception of government. We believe that it exists and that its legitimate function is to prevent injustice in whatever form it may exist. We know that that has been the practical use to which government has been applied in the past. It has for a long time prevented us quite effectively from cutting each other's throats or taking money and property away from each other by force, etc.; and we believe that we have discovered a more dangerous weapon in the hands of those who are exploiting us than a six-shooter is. In fact, after the Minneapolis marketing system has gotten through with the farmer in North Dakota he would be very poor pickings for the man with a six-shooter.

Senator GOODING. He has already been held up.

Mr. INGERSON. We know that we have gotten benefits through the Government in its attempts to help the farmers. When they passed the Federal land loan law, through which we were able to get some of this mortgage indebtedness reduced to a lower interest rate, it relieved us. Do you know that if in Burke County we could lower all of our indebtedness to the rate that some of the rates were lowered on the Federal farm loans, the tax problems would not interest us at all? If you could lower all the rates down to that on the amount of mortgage obligations we have in Burke County, we could pay all of our State taxes and county taxes with the saving we would make.

Senator CAPPER. You mean land mortgages?

Mr. INGERSON. Land mortgages.

The CHAIRMAN. You mean that there would be saving enough in the decreased rate of interest to pay all your taxes?

Mr. INGERSON. Yes, sir.

We have got some relief along that line. We have legislation in our own State where State legislation would reach it. We have a rural credits bank operating there. It has not been operating so very long. It has been making loans to farmers at a great deal less than the American Bankers' Association makes to them. That has meant a saving to us.

Senator KEYES. What rate of interest do you pay them?

Mr. INGERSON. The chattel-mortgage rates are 10 per cent.

The CHAIRMAN. You have reference to this State bank, Senator?

Senator KEYES. Yes.

Mr. INGERSON. I don't know what the present rate is. I think it is a little less than it was. I have a loan I made about a year ago, and under the law, through the amortization plan running only over a period of 26 years, it raised the rate somewhat—that is, the installment payments. The rate was 6 per cent, and the installment payments brought it up to 8 per cent.

Senator CAPPER. To pay out in 26 years?

Mr. INGERSON. To pay out in 26 years. It is not exactly 8 per cent. The installments will be at the rate of 8 per cent until the last payment, which makes up the fractional percentage. It is a small fraction. It is close to 8 per cent. It is higher than the Federal rate, and it is their policy, however, to lower it, and I think the rate now is somewhat less. It is around 7½ per cent with the amortization and all.

The CHAIRMAN. The rate on those loans made by that State bank depends on how they can sell the bonds?

Mr. INGERSON. It does.

The CHAIRMAN. And what interest they have to bear?

Mr. INGERSON. It does.

The CHAIRMAN. Do they have any trouble selling their bonds?

Mr. INGERSON. They have in the past.

The CHAIRMAN. Are they having any trouble now?

Mr. INGERSON. I don't think so. I think they are able to sell the bonds. I know we are making considerable loans, and the people look to that as one of the means of their salvation out there because, as I described yesterday, the interest-bearing obligations would practically take our wheat crop away from us. We would practically have to live upon other side lines that we produce upon the farm in order to just stay where we are.

The CHAIRMAN. I want to ask you something else, Mr. Ingerson. I understand diversified farming is being advocated, particularly in North Dakota. You have been raising wheat there?

Mr. INGERSON. That is our principal crop.

The CHAIRMAN. There is, I think, some bill pending before this committee to authorize the loaning of Federal funds under certain conditions to enable the farmers to diversify their crops. Is there any movement up there looking to diversification?

Mr. INGERSON. There has been the general trend towards diversification ever since I have been there. There were some started out

under that proposition, and I think it has been gaining in my county, at least.

The CHAIRMAN. What has been the effect? Has it improved conditions where they have diversified? Is your country such that you can diversify?

Mr. INGERSON. Oh, yes.

The CHAIRMAN. You don't have to just raise wheat?

Mr. INGERSON. No, we don't. In my county we have never just raised wheat. We have always had some livestock. That is, the majority of the farmers have. I saw something in one of the North Dakota papers that some survey had been made somewhere that showed that there was a large percentage of the farms that did not have a milch cow or a chicken. Out in my neighborhood I don't know of a single farmer in my portion of the State—and I travel around a good deal over the western part of the State—and I have racked my brain to try to try to think of one and don't know of a single farmer who does not have some milch cows and chickens. That may be true in a few cases, but there is no appreciable percentage of farmers of that kind. In fact, they raise sufficient for their own needs of all products of that kind, and sell some meat animals.

The CHAIRMAN. Do they raise hogs?

Mr. INGERSON. Oh yes.

The CHAIRMAN. And sell a good many hogs?

Mr. INGERSON. Yes; there are a good many hogs sold. It is not a large interest, like it is in other places.

The CHAIRMAN. You are not a corn-producing section?

Mr. INGERSON. Well, we produce a certain amount of corn. Not a big crop. We raise alfalfa and sweet clover.

The CHAIRMAN. Is alfalfa a success in your State?

Mr. INGERSON. It is not much of a success in my part of the State.

Senator NORBECK. What part of North Dakota?

Mr. INGERSON. The northwestern section.

Senator GOODING. Your sweet clover. Is that good dairy pasture?

Mr. INGERSON. Good pasture.

Senator GOODING. What kind of hay does it make?

Mr. INGERSON. It makes good hay if it is properly made.

Senator GOODING. It is wonderful pasture in my country, and I was wondering how it grew in your country. It is a great fertilizer, too.

Mr. INGERSON. Oh, yes.

Senator GOODING. If you grow sweet clover you don't need to fertilize.

Senator RALSTON. Mr. Ingerson, let me ask you a question. I understood you to say that some of your farmers do not have cows and do not raise chickens. Is that because of lack of funds, or is it their policy?

Mr. INGERSON. I think partly both. I think it was partly for both reasons. Some I think would never consider raising either. They are constitutionally opposed to it.

Senator RALSTON. Now, you speak of diversification in crop raising. To what extent would there be a greater variety of crops in your State if the Government should come to the relief of the farmers?

Mr. INGERSON. Well, I could not make an exact statement. I could give you my opinion of that based upon certain things.

Senator RALSTON. Well, that is what I am after.

Mr. INGERSON. I don't believe there would be such a very great demand, even if the Government came to their relief. I don't believe that a very great number would take advantage of it.

Senator RALSTON. That is the reason I made the inquiry. I wanted to find out.

Mr. INGERSON. It seems to me that way, although I may be mistaken. The reason I say that is that in North Dakota there was an effort made to promote diversification through State law at one time. There was a bill passed in the State legislature that provided for the county helping the farmers to go into diversification, which made provisions whereby they could buy thoroughbred stock, get a loan of a thousand dollars by forming a stock association within the county and circulating a petition among, I think it was, 50 freeholders of the county demanding that the county issue county bonds to back it within the county; and, so far as I know or have been told, there has never been any instance where any of these associations were formed, although this law was on the books for three years, I think.

Senator RALSTON. I have been reading for the last two years of the efforts of the Government urging the farmers to have greater diversity of crops. In Indiana I think the farmers do raise a great variety of crops, and I have just wondered, not knowing myself, to what extent, if the Government should encourage a changed policy on the part of farmers in that respect, they would avail themselves of it, if at all.

Mr. INGERSON. I think they would do it if it was not for one thing, and that is that they are loaded up with mortgage indebtedness already. One of the drawbacks would be, if it were taken advantage of, that it would add to the present mortgage indebtedness of that section. Whether that would be used much or not, I am not prepared to say, but I know that that would be one of the drawbacks, that men that are head over heels in debt would not see a chance of immediate relief from the present condition through that course. But I believe if they could see a marketing organization established by the Government that would bring in immediate returns, to meet the immediate emergency, that would in itself give a great boost to diversification, and might in many instances put them in a position to see their way clear to assume a little further indebtedness so that they could ultimately get out. In our section of the State, and in my own instance—and I can speak from experience—I believe that diversification is good. Now, I don't produce much milk, but I produce considerable meat animals, and I do that on account of saving labor. I think that there is probably more income to be derived from the milk strains of cattle, but there is additional expense. It takes better buildings, and so forth, and I look upon my diversification and stock raising part of my business as a necessary expense in order to produce wheat. I can produce more wheat by having those on the place, having a few cattle clean up the wild oats, have them pasture my field, put in this sweet clover, and raise more wheat than I could if I did not have them. But I have to charge up to the wheat some of the expense

of that operation, and I think it is well for us in North Dakota to take cognizance of this one fact. We can produce better of wheat than they can in practically any other State. We can not produce better butter. We can not produce better wool. We can not produce better or cheaper beef than some other States, so why should we go into that to any very great extent? I believe we should go into it to the extent, as I say, as regarding it as an expense for the purpose a producing that which we can produce better than you people can.

The CHAIRMAN. You would produce that just to the extent that you could coordinate it with your main proposition?

Mr. INGERSON. That is the idea.

The CHAIRMAN. It should be on the same principle of the man in the packing business who wanted to take care of his by-products?

Mr. INGERSON. Certainly

Senator GOODING. He must do that in your vicinity in North Dakota to keep up the fertility of the soil?

Mr. INGERSON. To keep down the weeds rather than to keep up the fertility of the soil.

Senator GOODING. Can you grow wheat without putting the fertility back in the soil?

Mr. INGERSON. Yes; we can.

Senator GOODING. How long can you do that?

Mr. INGERSON. I don't know. We have done it for 25 years. If we can keep the weeds out of it and keep moisture in it we can raise wheat without fertilizer.

Senator GOODING. You get some fertilizer out of your dairy cows?

Mr. INGERSON. I am operating a farm of 640 acres. My buildings are all together on one side, and my stock is centered there, and the fertilizer is produced there. A great deal of this land is out of hauling distance, as we think, of the manure spreader. We do not get that fertilizer distributed to anywheres near all of this land; still in a good year, under otherwise similar conditions, we will produce just as much wheat on the farthest end of that farm, where the manure spreader has never been, as we do where it has been fertilized. This is a kind of a semiarid region. The fertility of our soil has not been leached out. The elements of fertility are there. We can not release them fast enough to make a good crop except when we get plenty of moisture, but under those conditions we do summer fallowing. Raising grain helps, because it carries over moisture from one season to another, or for some other reason the fertility is released, but there seems to be almost an inexhaustible supply of it. But I know that it is not inexhaustible, and the time will come when that part of it will become a greater factor than it is to-day in our instance.

Senator CAPPER. Have you any criticism or objection to the pending bill which seeks to promote diversification?

Mr. INGERSON. I am not particularly urging it. I would not want to say that I wish to oppose it, because there may be a greater demand for it than I know of. I have not a very clear idea about it. I am just giving you my opinion and the result of some legislation. Now that legislation that was on the books in North Dakota involved more red tape than this does, and I think this will be more popular than

that was on that account. It involved the forming of a local association, and that is something that would make the farmers a little harder to get started in. But the Federal land bank does the same thing, and they got into that, and it involved putting it up to their own county officers, and lots of times they would be talked out of it, on account of local conditions, not wishing to bond the county for more money, and all of those things. But it was not taken up there. And then the other proposition. I believe this bill certainly could not be considered as a substitute for a marketing bill, and if this bill should go through I believe that the other one would be received and used a great deal more than if it did not go through. That is, if a bill such as the Norris-Sinclair can be made into law, and then effectively administered as the Federal land bank system has been, so that we can actually get benefit from it, it will be a long step in the direction of solving our problems in marketing our grains and other products, and that is another thing I like about the Norris-Sinclair bill, that it does not confine its operations to one agricultural crop, and that it does not necessarily mean a price fixing bill, although I think that a price fixing feature would necessarily have to be coupled with it in its administration.

I don't know that I can say any more. There are a great many other witnesses, and so I thank you very much for your attention.

STATEMENT OF MR. J. P. RUSSELL.

The CHAIRMAN. Now, Mr. Russell, will you give your name and residence?

Mr. RUSSELL. J. P. Russell; Blue, Okla. Mr. Chairman and gentlemen of the committee, in testifying before you I would like, if I might be permitted, to just merely go ahead and state some of the conditions that exist in our country, and why I think they exist there.

We are in a very deplorable condition in Oklahoma, and especially in southeastern Oklahoma where I live. A great many of our farmers are at the present time holding sales. I see advertisements throughout the country that such and such a man is selling out for the purpose of leaving the farm that he might go and enter public work of some kind, such as in the oil fields or in the coal mines, for the reason that he has failed to support his family by producing farm products. We have been trying for some time to get the farmers organized in that country in order that we might better the conditions, but we have been greatly handicapped by a number of things. We are now organizing in an organization known as the Farm Labor Union of America, of which I am the State president of the Oklahoma station. So far we have made great progress with our organization, considering the time we have been organized, but up until the present time we have not been able to accomplish a great deal through the marketing of farm products in Oklahoma for this reason: We have been handicapped out there. The first thing that I wish to mention that we have been handicapped on is cottonseed. The cottonseed is a great item in the cotton country, and, of course, southeastern Oklahoma is a cotton country. We have down there the cotton-oil mills that have been handling and

controlling the cottonseed of that country now for a number of years, or at least since they have realized the value of cottonseed, and the cotton-oil mills have been successful enough to capture the most of the cotton gins of our country, and by owning the number of cotton gins that they do they have been able to control the cottonseed situation of that part of the country.

The main feature that I want to get before you is with regard to our cooperative movement that we have started down there for the purpose of trying to handle our cottonseed and being handicapped by the oil mills over at Caddoa, Okla., in the northern part of Bryan County, the county in which I live. The farmers went over there and bought a cotton gin, thinking that they could by handling the cottonseed, by owning their own cotton gin, save the cotton farmers something, and we went over there and bought a cotton gin. Of course we were patronizing this cotton gin, and it was getting most of the cotton of that vicinity. We began then to search for a market. We had our own storehouses for our cottonseed, and we could store the cottonseed, and began to hunt for a market in which we might get a better price for our cottonseed. We found a market at Fort Smith, Ark., with an independent seed company, and we found a market at other places, and when they were only paying us $20 a ton for cottonseed we were able to secure a price of $25 f. o. b. the station at Caddoa. Just as soon as we found this market the cotton-oil people bought the cottonseed at $26 a ton, when they had been paying $20, and they just continued to raise the price of cottonseed in Caddoa. Every time we got a raise somewhere else they would go just a little above us, in order to try to induce the farmers to sell to them instead of selling through their own cooperative marketing organization.

In the same county, down at Bennington, something like 25 or 30 miles from there, at the time they kept increasing the price of cottonseed at Caddoa until they had reached $46 a ton—that is what they were paying for it—down at Bennington, in the eastern part of the county, where we did not have any cotton gin and did not have any place to store our cotton, they were lacking $12 or $15 a ton of paying as much for cottonseed as they were at Caddoa.

This occurred in the year 1922. In 1923, the first of the year, when the last State legislature met at Oklahoma City, we decided to see if we could not get a bill drafted and introduced and passed by the legislature of our State providing for an undue discrimination law which would prohibit those people from discriminating in the price of farm products, and the bill provided that before a man could deal in farm products in the State of Oklahoma he must go to the State Department of Agriculture and secure a license at a cost of $1, and any time that he was caught discriminating in the price of farm products, freight rates being considered, his license could be revoked and his store closed and he be absolutely put out of the business. But the oil companies and the other interests that were dealing in farm products of that country seemed to have too much of a hold on our legislature, consequently we failed to get it passed in the form in which it was introduced, but we did get an antidiscrimination bill passed, but as it was passed we had to deal with them as individuals. We have to go and deal with the corporation as individuals under the antidiscrimination law that we have in Oklahoma. For instance, I sell the cottonseed out of the bale of cotton, which amounts to about 1,000 pounds, and they discriminate in the price of that cottonseed from one place to another, and I only have six or seven dollars rebate for that half a ton of cottonseed, I can not afford to go into the court and fight the cotton-oil company for that amount. There is no way to do this except through a cooperative way, and they have been successful up to the present time in keeping our men away from the cooperative movement to a great extent, for the reason that when we get sufficiently started in a locality for the purpose of trying to cooperate amongst ourselves with our products, they come in just like they did at Caddoa, and they even offer more money. Of course, when we in time get the farmers educated and show them that it is the cooperative movement that causes them to get this price there is not any reason why we can not better handle the situation, but we have been so hard hit in southern Oklahoma that two or three dollars a ton on cottonseed looks mighty good to some of our farmers, and consequently they have almost got to have it to live.

Now, that is the situation that we have to deal with, with some of the cooperatives that we have in that country.

Senator RALSTON. May I ask you right in that connection now, if it does not bother you——

Mr. RUSSELL. No, sir; go right ahead.

Senator RALSTON. Speaking of this antidiscrimination law, did you have a criminal provision attached to that measure?

Mr. RUSSELL. Nothing only that it would just prohibit him from operating any further.

Senator RALSTON. Did you attempt to have a criminal feature attached to it?

Mr. RUSSELL. I don't think it was mentioned in the bill.

Senator RALSTON. Did you have a constitutional question raised to that sort of a provision?

Mr. RUSSELL. About a criminal provision?

Senator RALSTON. Yes.

Mr. RUSSELL. No, sir. I don't think so. I have not heard of it.

Senator RALSTON. That would save the farmer the responsibility of having to incur the expense.

Senator GOODING. The same method applies all over the country. We had the same thing in our State, although we did succeed in passing a law that stopped discrimination to some extent. We have, of course, got one now. This same thing has been going on for years. That is their method of breaking down cooperation.

The CHAIRMAN. Yes; that is the whole method.

Senator GOODING. And it has been very effective, there is no question about that.

The CHAIRMAN. And one of the objects that the Congress had in view when it passed the law that created the Federal Trade Commission was to meet that proposition. Did you ever take that up with the Federal Trade Commission?

Mr. RUSSELL. No, we have not.

The CHAIRMAN. I presume that was because it was not interstate commerce.

Mr. RUSSELL. And we have been struck a very hard blow in our livestock situation. Of course, that exists, I guess, throughout the country in regard to livestock. I have always tried to carry side lines in connection with my farming to a certain extent, and try to make my living outside of the farm products that I produce upon the farm. I have always handled a few cattle—not a large herd but yet a few—and during the war, when everything was good and I was making some money, I took advantage of the money that I was making at that time and looked over the country and bought myself a few of the best cows that I could find in the country, thinking that the time would come when I could accumulate a bunch of cattle sufficiently large that the increase would possibly make me a living. Well, I went on, and in 1921, along in the fore part of the year, grass was getting scarce, and it was impossible for me to keep my cattle any longer. So cattle that I had paid not less than $75 apiece for, and as high as $125 for some of them, I was forced to put on the market at anywhere from $25 to $27.50 each. Now, I kept some of those cattle.

Senator GOODING. What grade of cattle were those?

Mr. RUSSELL. Some of them were Jersey cows and some of them were Red Durhams.

Senator GOODING. That is the danger in the semiarid country, countries that have drought, in the dairy business, very largely, that you may lose in times of drought.

Mr. RUSSELL. We are always fortunate enough in our part of the country to grow feed almost every year for cattle.

I kept two or three of those cows, and I have two of them yet that I kept for my milk purposes, and just the other day I asked a man who was dealing in cattle, passing up and down the highway in front of my house every few days, to go by and look at one of those cows; that I thought it was not necessary for me to winter but one cow when I didn't need but one. I asked him to go by there and look at that cow and see what he could pay me for her. He said, "Well, I would be willing to go and look at your cow at $10." He says, "If you want more than $10, there is not any reason for me to go out there and look at the cow."

Previous to this, two or three years, this same man had offered me a number of times $125 for the same cow.

Those are only a few instances of the conditions that exist in the livestock business down there.

Senator KEYES. May I ask you was the cow as good as she was three years before?

Mr. RUSSELL. With the exception of just 3 or 4 years age.

The CHAIRMAN. That is startling—$10 for a cow. Why was it that it was so low?

Mr. RUSSELL. I was just about to make this statement in regard to the general run as to how the cow sells. Here just a few days ago I was driving over to Durant in a car, and the fellow in the car—Russell is the county seat of my county—and we passed a herd of Durhams along the road, something like 100 to 125 head of average cattle throughout the country.

Senator GOODING. You mean the average dairy cow?

Mr. RUSSELL. No; we just have cows. I made the remark that there were something like a hundred head of cattle there, and I presumed that they were worth a hundred dollars. "No," he says; "they are worth more than that, for there are 12 head in that bunch that I sold just the other day for $80, and I know there are $80 there, for I sold him 12 head for $80." They were average cattle for the country, because there is not anything that I think I know better than I know a bunch of cattle when I look at them, because I have dealt in cattle off and on all my life, and I know that that was an average bunch of cattle and 12 in that bunch sold for $80.

It is not only that, but everything in proportion.

Now, in our country they got to raising turkeys to a great extent; that is, each farmer raising on a small scale. Once in a while you can see a farmer in that part of the country that will have a flock of something like 500 turkeys, and of course most of those got on the market. This last year our turkey market went down to an average of about 10 to 14 cents a pound in our part of the country. I understand at other places, when these turkeys were prepared to ship to the market, they sold as high as a dollar a pound in a number of places; but, then, we got from 10 to 14 cents a pound for them down there.

The reason the farm products go on the market at the prices at which they do go is that the farmers are in such condition that it is impossible to hold their stuff off the market, and unless we can get some kind of provision made or get some kind of a law passed something similar to the Norris-Sinclair bill, or other laws that will absolutely help the farmer to better market his farm products, the farmers of the South are absolutely going to have to just close their doors and quit the farms, because we can not go on any longer under the conditions which we have been going under. It is going to be a matter of impossibility for us to do it.

Every farmer in my part of the country that can get a job at public work is selling his stuff regardless of what he gets for it, and leaving the farm and going to work on public work, for the reason that he has been unable to support his family by producing farm products.

Of course, our small banker down there has done a great deal for the farmer. Of course, they realize the fact that when the farmer goes off the farm they are out of business as well as any other business institution there is down there, and they have absolutely gone further with the farmers than I expect they should have gone for their own benefit. Of course our chattels have depreciated in value and have gone down now until there are just hundreds and hundreds of farmers in that country that owe the bank more than you could absolutely sell everything that they had and pay it. It would not pay it at all. Yet at the same time the bankers realize that this agricultural work has got to go on, and they have been willing to pay a small amount of money to those farmers each year to go on and try to produce more farm products, because we live in an agricultural country. This southeastern Oklahoma is all agricultural country, and whenever you stop the farmers of that country you stop the whole thing.

Those are merely some of the conditions, and the organization which I represent asked me to come to Washington to try to insist

that we get the Norris-Sinclair bill or some similar legislation passed that will help the farmers to better conditions throughout southern Oklahoma.

I believe that is about all that I have to say in regard to the matter.

STATEMENT OF JOHN N. HAGAN, SUPERVISOR OF GRADES, WEIGHTS, AND MEASURES OF THE STATE OF NORTH DAKOTA.

The CHAIRMAN. State your name, residence, and business, Mr. Hagan.

Mr. HAGAN. My name is John N. Hagan, and I reside at Bismarck, N. Dak. At the present time I am supervisor of grades, weights, and measures for the State.

The CHAIRMAN. How long have you been such supervisor?

Mr. HAGAN. Since December, 1922; a little over a year. I have been a resident of North Dakota for 23 years, and was operating a farm of 960 acres at the time I took office.

The CHAIRMAN. Where located?

Mr. HAGAN. In McHenry County, in the northern section, up in the northwest.

The CHAIRMAN. Were wou operating a farm when you took this office that you now hold?

Mr. HAGAN. Yes, sir. I have owned and operated a farm for 22 out of the 23 years that I have been in the State. I homesteaded and lived on the farm and operated it for 14 years. There were five years that I was commissioner of agriculture and labor, an elective office, and my work took me to all parts of the State. That work took me in every county of the State a number of times while I was there in that department; I had an opportunity to study the agricultural conditions and the condition of the farmers in all parts of the State.

The CHAIRMAN. When did you quit that office?

Mr. HAGAN. In 1921.

The CHAIRMAN. Now, does your present office take you over the State to any extent?

Mr. HAGAN. Yes, sir. It takes me over the State to a considerable extent. I have supervision of all the elevators located all over the State with the exception of the State-owned elevator. In 1922 there was a law passed in our State known as the initiated grain grading act.

The CHAIRMAN. And you are administering that law?

Mr. HAGAN. I am trying to administer that law; yes, sir. The day that the canvassing board declared the law passed an injunction was placed on the law, thereby preventing the carrying out of any of its provisions.

The CHAIRMAN. By whom?

Mr. HAGAN. It was put on by elevator concerns, something like being connected with that injunction, of which 96 per cent were line elevators operating from Minneapolis and Duluth, and the others were independent and farmers' elevators.

The CHAIRMAN. That injunction prohibited them from doing what?

Mr. HAGAN. From operating under any part of the law.

The CHAIRMAN. This initiative law?

Mr. HAGAN. Yes, sir. A little later the form of the injunction was modified so that the supervisor of grades, weights, and measures could supervise the proper bonding of all public warehouses to protect the holders of storage tickets and require the compliance of all other laws in the State relating to public warehouses.

The CHAIRMAN. What became of that injunction finally?

Mr. HAGAN. It was argued before three district judges in Fargo, January 5, 1923, and they refused to take jurisdiction, and then an appeal was taken and that injunction stands until it can be passed upon by the Supreme Court of the United States. They thought it was unwise for them to take jurisdiction, and so they appealed to the United States Supreme Court direct.

The CHAIRMAN. It did not go to the court of appeals?

Mr. HAGAN. No. It did not go to the court of appeals, and it was argued before the United States Supreme Court on May 4, 1922, and as yet we have no decision in that case.

The CHAIRMAN. How are you administering the law?

Mr. HAGAN. Just looking after the bonding under the modified court order.

The CHAIRMAN. What would you do under the law that this injunction still prohibits you from doing?

Mr. HAGAN. Well, there are a number of duties connected with it. Among them is the duty to look after the weights, inspection of scales, and at the present time there is no one authorized by law, because of this injunction, to look after the weighing at the elevators, or to check them up on the testing or in the proper grading of grain.

This law permits rules and regulations to be established by the supervisor, and also authorizes him to establish grading; that is, to establish grades upon all grains that the United States Department of Agriculture, under the United States grain standards act, has not already established, but where they have established it, I would not be permitted, under this law, to change that. But in such grains as they have not established grades, we could establish grades.

The CHAIRMAN. You are prevented by injunction from doing that even?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. You can not inspect scales or anything of that kind?

Mr. HAGAN. No, sir.

The CHAIRMAN. What other duties were you to perform under that law, besides those mentioned, that the injunction prohibits you from performing?

Mr. HAGAN. One was the supervising of the proper grading of grain and the proper dockage of the grain. This law requires that the elevators shall pay for valuable dockage or return it to the owner, the man who produces it. At the present time the elevators of our State are not required to return any of the dockage, no matter how valuable it may be.

The CHAIRMAN. You are not permitted to interfere with that because of this injunction?

Mr. HAGAN. Because of this injunction. Under the United States grain standards act this power is given to the Secretary of Agricul-

ture, but the Secretary of Agriculture does not have supervision of country elevators, and therefore it really does not apply out there.

The CHAIRMAN. At the present time they render no account of this dockage?

Mr. HAGAN. No, sir; none whatever.

The CHAIRMAN. What about a bond? Did they give a bond for damages at the time they got this injunction?

Mr. HAGAN. I don't know what kind of a bond they put up.

The CHAIRMAN. You are not a lawyer?

Mr. HAGAN. No, sir; I am not.

The CHAIRMAN. You do not know whether they have a bond by which they will be required to pay to all the individual farmers anything they might be liable for on this dockage account if the injunction is finally dissolved?

Mr. HAGAN. I don't think that they would be required.

The CHAIRMAN. Is there anything else that that injunction prohibits you from doing that you could otherwise do under that law?

Mr. HAGAN. Another feature, and one of the features that was contested in the courts, or argued in the courts—I might explain that if I go back a little further. In 1919 we passed a grain grading act in the State Legislature of North Dakota and there was an official put in charge of that, and that law permitted the fixing of a margin of profit that elevators would be permitted to charge, and the man in charge fixed or established a margin. Of course, that was contested in the courts. They were also required under that law to pay for the dockage, and that was another thing that was contested in the argument. It was practically the same people that contested the 1919 law that contested this one. That was argued before the Federal district court judge, and the case was won.

The CHAIRMAN. Who won the case?

Mr. HAGAN. The State won. And then it went to the court of appeals in St. Louis, and they lost the case. It was reversed. It was appealed to the United States Supreme Court, and the United States Supreme Court declared the law unconstitutional by, I believe, a 5 to 4 decision, and this case is now before the United States Supreme Court practically by the same people. It is claimed by those who had charge of it, and by actual computation, that there were several million dollars that were returned to the farmers in dockage. At the same time, there is not anyone that says anything about the margin at all, and the sky is the limit, if they can get by with it.

The CHAIRMAN. If the chamber of commerce don't get you, the Federal injunction does?

Mr. HAGAN. Yes.

The CHAIRMAN. Between the two you have a pretty hot time?

Mr. HAGAN. Yes, sir. That very well expresses it, and our farmers think so.

The CHAIRMAN. And so do I.

Mr. HAGAN. And we are getting rather impatient over this, because a great many of our people believe that whether those who contested this law expected to win or not, they did feel as though they could get by another crop, and that they have gotten by another crop. The Supreme Court, of course, we hope will decide the case before they get by another crop. We don't know, of course, when that will be.

Senator KEYES. When did you say that was argued before the Supreme Court?

Mr. HAGAN. May 4, 1923, that was argued before the Supreme Court. Our State is essentially a grain-raising State. It is probably as purely agricultural as any State in the Union, I expect, or very nearly so, anyway. I have a compilation here taken from the report of the carriers operating in North Dakota—that is, all the railway companies—showing the freight originated in the State. I have this compiled for both 1921 and 1922. They have not yet made their report for 1923, so I do not have that.

In 1921 of all the freight originating in the State, both intrastate and interstate commerce, 72.17 per cent was agriculture. Of that amount 51.34 was wheat, showing that more than half the freight originating in North Dakota in 1921 was wheat, and of other grains 7.46 per cent, showing that it was nearly 60 per cent of all the freight originating in the State, including mines, agriculture, and manufacture. In mining products I think it was about 18.23 per cent, and of course there were some small less-than-carload lots that I had to figure in.

In 1922 I made the same kind of analysis from the report given to the board of railroad commissioners by the carriers operating in North Dakota. Of all the freight originating within the State for that year, 72.14 per cent was agricultural products, and wheat in that year, 1922, comprised 47.36 per cent, other grains 13.74 per cent, making a total of 61.1 per cent of all the freight originating in the State.

I am giving you these figures for the purpose of showing to you that the small grains produced in our State represent an important industry within the State, and probably we will always remain a small grain-producing section, because of the quality of the soil and conditions of the country being adapted to the raising of small grains.

The farmers of our State are getting in quite a deplorable condition. When I say that I don't mean that they are very much worse off than they are in some of the other States. It happened to be my good fortune to be a witness before the Interstate Commerce Commission some time ago at Kansas City on freight rates on grain and hay, and a number of the States were represented, among them being Minnesota, North and South Dakota, Nebraska, Iowa, Kansas, Oklahoma, and Texas. Witnesses testified, and in hearing those witnesses testify I came to the conclusion that they were in practically the same kind of a condition that the farmers of North Dakota are in. Probably not quite so bad. I give this as a reason for it. Many of our farmers are leaving the farms. Many of the farmers of other States are leaving the farms. The Department of Agriculture in 1922 gave this out as statistical information that 2,200,000 people had left the farm, of which there was a backwash of about 800,000, leaving 1,400,000 people leaving the farms. Of course they could not all come from North Dakota, because we only have 650,000 or 640,000 people in the State.

The first of all, apparently, to leave the farms, are the tenant farmers. The tenant farmer's equity consists of what little live-

stock he has, his farm machinery, and household goods. Since 1920, especially at that time, the price of agricultural products has not met the cost of production, and so soon as the tenant farmer had used up his equity in his livestock and his household goods and his farm machinery he had to quit. He could not borrow. His borrowing ability was at an end.

The next man that left the farm was the small farmer who had a little more equity than the tenant farmer had. He had a small tract of land. He is the next man to leave, because his equity is small, and when his equity was used up, he left.

Now, as an illustration of that, comparing the figures on the different sized farms in our State, in 1910 the average sized farm in North Dakota was 382 acres. In 1920 it was 466 acres. Since that time, while we have not any figures compiled, I am satisfied that the average size farm is larger than 466 acres. It is probably 500 acres or more. That shows that the small farmer is being wiped out, is being cleaned up, and only those holding the larger farms can remain. If this condition continues long enough it will eventually wipe them all out, because there is no industry, in my opinion, that can survive producing when the market price does not meet the cost of production, and that is where agriculture is to-day, as I see it.

I think our farmers have been conservative, and they have certainly been practicing the most rigid economy that it was possible for them to practice. Their standard of living is not what they would like to have, and it is not what it ought to be compared with the products that they produce. I believe that is something that should be of national concern. When we reduce the standard of living of a large part of our population, I think that is of national concern.

I wrote a letter to each sheriff in each county of the State, and I have a copy of it here, asking them to fill out a blank in this letter with reference to the number of sheriff's foreclosure sales in each county, and return same to me in an inclosed envelope. "In the year 1923 there were the following number of sheriff's sales of real estate in the county of blank, in the State of North Dakota," and I enumerated these by months, as you will see, and they filled this out, and I have a report from every county in North Dakota.

I wanted to determine as near as I could the number of sheriff's foreclosure sales in the State, because there had been considerable controversy over it. This included the first 11 months of 1923. Then I also wrote to the commissioner of agriculture of the State and asked him to furnish me with the total number of farms in each county. I did that in order that I might work out the percentage of foreclosures on farms in each county. He furnished me with this information. He gets those figures from the report of the county auditor, who compiles these from the assessor's report of the number of farms. It is not an estimate at all. It is actual figures.

I found that it varied considerably; that it varied in different sections of the State. The lowest one that I have is 1.2 per cent of all the farms foreclosed in the first 11 months of 1923, and the highest one that I have is 36.81 per cent, and the average for the State is 9.76 per cent, or practically 10 per cent of farms foreclosed in the

first 11 months of 1923. At that rate you see it would only take 10 years to wipe out all the farms in the State.

Those figures may appear to be startling, but they are official.

I want to give you the figures for the Red River Valley section. That has long been known as the bread-basket section of the Northwest, because of the large amount of wheat that has been produced there, and they have plenty of moisture. They are not in what would be called marginal territory at all. Western North Dakota is marginal, but eastern North Dakota is not marginal territory. They have a sufficient amount of moisture, and they have very fertile land, and it not only produces wheat, but it will produce practically any kind of agricultural products. It is especially noted for potatoes and other things.

I might read some of these figures right from the record.

The CHAIRMAN. This is in the Red River Valley?

Mr. HAGAN. This is in the Red River Valley; yes, sir. I will not read all, but if anyone desires any particular county, they can ask for that. Cass County had 6.74 per cent of all the farms in that county foreclosed on in the first 11 months of 1923.

Cass County is in the Red River Valley. It has located in it Fargo, the largest city in the State. That is in a good productive part of the State, and has a sufficient amount of moisture. They have had, gentlemen, so much moisture in that valley that drainage was absolutely necessary through that section, and they have drained a great deal of it, and it is very well drained, and still this is the result.

Richland County, immediately south of Cass County, had 6.56 per cent, and immediately north of Cass County is Trail County. Trail County has only 3.13 per cent. Then Grand Forks County had 5.72 per cent. That is just about the way it has been going in that valley; running about that way. Barnes County had 10.64 per cent.

Now, gentlemen, that section of the State has been settled for years. I don't know how many, but at least 40 years. Those farmers were well established there at one time, but they are quitting very rapidly now. Not only that, but their banks are also getting in mighty bad condition. The banks of our State are in bad condition because of the condition of agriculture, upon which they depend.

I might, before I leave this, compare this lowest one of 1.02 per cent with some other county. That is McIntosh County, and is a county in which they diversify a great deal, and they have the largest cream-shipping station in the State. There is only one county that produces more cream than it does, but that is only because of the size of the other county. They also raise cattle and hogs and other agricultural products that we can raise there, corn, etc. But I wish to state this, that their standard of living is probably lower than in any other county in the State. Those people are Russian Germans. They came from Russia, and of course their standards that they brought with them are not as high as the American farmer's standard of living. By that I mean this, that they have done very little road building, they have bought very few automobiles, they have very poor schools, and I learned the other day that they did not have one student in the agricultural college of our State. Our people are

very much interested in education, as I think they should be. They are very economical. While they dress well, you might say, and all that, in some sort of style, they don't get very much out of life except the necessities. So I think that is largely the cause of that.

I want to compare that with Cavalier County, in the northern part of the State, settled by what I would call an entirely different class of people, and they had 7.38 per cent of their farms foreclosed on. Cavalier County was settled by people that came from the east of Canada, and from some of the Eastern States and from the Scandinavian countries, Norway and Sweden, and they are people who have built roads and have very good schools and send a great many, not only to their high schools but a great many to the university and the agricultural college. They are also following mixed farming. They raise a great deal of livestock, especially beef cattle. They are not so much engaged in the dairy business, but they raise beef cattle and sheep and hogs and grain, and they are not in as good shape.

I want to touch next upon the banking conditions of our State. We have a large number of banks in our State, and probably too many. I think we have at least twice as many banks as we should have. In our State the percentage of bankers to the population is probably greater than in most States. In Michigan there is one bank for every 5,130 persons. In Wisconsin there is one for every 2,710. In Minnesota there is one for every 1,600. In Montana there is one for every 1,350. In South Dakota there is one for every 921, and in North Dakota there is a bank for every 768. So you can see there are too many.

Senator KEYES. Can you give us the average capital of the banks?

Mr. HAGAN. No; I could not give you the average capital, but it is small. At one time they permitted them to organize State banks under $10,000 capital stock, and now they are required to have $15,000, but, of course, many of them have much more than that, you understand.

Senator KEYES. Do you have branch banks up there—branches of some big banks?

Mr. HAGAN. Yes; there are some of those. They are what we term line banks. Those banks are having mighty hard sledding. They are in very bad shape. While we probably have more bank closures than probably any other State—I rather think we have—it is of banks of small capital, and I attribute it largely not because they did not have assets sufficient to meet their liabilities but because their assets are composed largely of farmers' paper. I got this from the State bank examiner. He said that 90 per cent of their assets were farmers' paper. The farmers can not meet their obligations, and when they can not meet their obligations the reserves of the bank run down to where they have to close, because they can not meet their obligations.

Now, I honestly believe that there are many banks open yet in North Dakota that technically should be closed because of their reserves being entirely too low. I don't know how many banks are closed in North Dakota, but I saw a newspaper article the other day that in the past two year, under Governor Nestes's administration, there were 197 banks closed.

I did not know whether that was true or not, so I called up the State bank examiner and asked him how many banks were closed during Governor Nestes's administration the past two years, and he said, "I haven't time to bother with that kind of stuff." So evidently it must have been conservative. In other words, they have been doing all that they can to keep banks from closing and to keep out all the advertisements they can about some of our banks, which may be a good thing. I don't know; but, anyhow, I wanted to get the actual facts, but I failed to get them.

The capital of these banks is small, and their assets are composed of farmers' paper, and unless they can get in new money to keep up their reserves it is sure to be depleted, and they will have to close. Many more will close, I think. There was a time once this fall—I checked up a period of about three weeks—when they were closing at the rate of about one a day. Now they are closing not quite as fast, but almost. Perhaps a couple of days intervenes.

We had quite a number of bankruptcy cases in our State. A great many have taken advantage of the bankrupt act. I was talking with a banker in my home town, in which my farm is located, and I found there were 16, according to his statement, who had taken advantage of the bankrupt act in just that locality, and while he said it did not affect his bank very much, it did affect the other ones; but it was not very long afterwards until the other bank closed, and he made the remark at that time, "These 16 were no good, anyhow." He said that those 16 fellows that had taken advantage of the bankrupt act, never should have farmed. I happen to know some of them, and I couldn't quite agree with him, but I was glad to get his view on it, and I said, "If the present condition of agriculture continues long enough, you will not have any work at that desk," which is a fact, and there is no getting away from it. He said, "Then, we have got to do something for them." I said, "Yes; I think so." I said, "What is your solution?" He said, "Diversified farming." "Well," I said, "let us analyze that a little." I said. "You have known me as a farmer here on my farm for quite a long time; I raised wheat, rye, oats, barley, and I've raised corn, and I have had dairy cattle and hogs and some poultry, and the result of my last seven years of farming has been that I have lost more than $8,000 on that farm."

The CHAIRMAN. You mean you are $8,000 worse off to-day than you were at the beginning of that period?

Mr. HAGAN. Yes, sir; and it is a fact, and if I had farmed that farm to full capacity I would have been much worse off than I am to-day. I could see there was no use to continue. I have a nucleus left now, so that if agricultural conditions improve to the point where I can receive a reasonable profit above my cost of production, I can increase again, and if conditions do not improve, I am not going to do it. That is the position I am in. To-day if I had no other resources excepting that farm, and had I farmed it to capacity during the last seven years, I would have lost it.

The CHAIRMAN. I am interested in the conversation you were having with that banker. I wish you would pursue that a little further.

Senator JOHNSON. Mr. Hagan, pardon me, but I have to go and I wanted to ask you some questions. You will be here to-morrow, will you?

The CHAIRMAN. I presume so.

Senator JOHNSON. You won't get through now. It is 12 o'clock.

The CHAIRMAN. I am interested in that controversy you were having with this banker about diversified farming. Did you pursue it any further?

Mr. HAGAN. Yes; a little further. I explained to him how much I had lost and he was in position to check me up pretty well because I did most of my banking business through his bank. Not all, but a great deal of it. "Well," he says, "then if that is the case, I don't know what the solution will be, but," he says, "I think that that is it."

Senator CAPPER. He had nothing to offer by which the farmer could be relieved?

Mr. HAGAN. No; he hadn't anything to offer. I have been a customer of that bank for some time and have been in position where my credit has been good at that bank, very good. I don't know that they ever turned down any request for a loan that I have ever made, and ordinarily I could get quite a large sum of money there on my personal note without giving any security, unless I wanted it for a long period of time. I have received as much at $3,840 on my personal note there for six months and not even a request for payment or additional security. But I could not do that now, because they have not the funds, but so far as they are able to loan me funds I am satisfied that they would loan me anything within reason, compared with the funds that they have. We get along very nicely. We have no difficulty at all. Our business affairs have been very congenial indeed.

I homesteaded there and I have seen farmers in my locality that have tried milking cows and tried raising beef cattle and tried raising hogs. Most of those farmers have gone. It may have been through some fault of their own at times.

The CHAIRMAN. I suppose that was true sometimes, that it was the fault of the men themselves.

Mr. HAGAN. Sometimes it might have been, but in every instance I don't think it was. For instance, in the early days it did not pay us very much to produce dairy products. We did not get much of a price for them. When I homesteaded there at first, before I got to milking cows, I bought butter at 10 cents a pound and of course, there was not much use to think about going into dairying to pay out any obligations when you only got 10 cents a pound for butter. It could not be done and that is one reason why it was not done. Then beef cattle have been lower at times when they were ready to get rid of them, and instead of enabling them to pay out their obligations it broke some of them. So it goes all along the line.

It appears to me while it may be the fault of some of the farmers, the average run of farmer is a good producer. I can not get away from that idea. I believe he knows more about producing than anybody else knows about producing. We have been taught by the United States Department of Agriculture, our land grant colleges, such as the agricultural colleges, and by the extension division and the county agents, how to produce more and we have been producing more. They have been trying to make us believe that that is the way to get out of our difficulty, by producing more on a given area, and the farmers have been taking that advice very largely and have

produced more, until we get to the point where the Secretary of Agriculture of the United States tells us we produce too much, and that is the reason we are so badly off. That is exectly the position that we are in to-day. We have been producing too much, they tell us, and they say "You produce too much of this and not enough of something else," but by the time you get over into something else, you know you can't change farming like you can change some businesses, or as rapidly. When you get an equipment to do a particular kind of farming you can not make a rapid change over into another kind of farming without going to a great deal of expense, and when you do go to that expense by the time you get started, possibly down has dropped the price on that and then you are as bad off or worse off than you were before.

So farmers make these changes gradually, and I think it is the proper way to make the change.

I am an advocate of diversified farming and I practice it on my own farm as far as I can. So that the change can not be made rapidly. It must be made slowly and gradually, and you have to learn how to handle a different kind of farming the same as you would learn how to handle any other different kind of business. It is a business and should not be considered anything but a business.

I don't believe that the farmers have been extravagant. While I think they are good spenders, they spend for improvement largely. They are not spendthrifts in the sense that they waste their money very much. They are not investors in wildcat schemes to any considerable extent. Not at all. They will improve their farms and they will improve their communities. They will vote for a larger tax for school purposes to educate their children and things like that, but that is an improvement and a necessary improvement, too. So I think that the accusation made that the farmers are spending too much money is not correct at all.

There is another point I would like to touch upon, and that is land values. Now they talk the increased price of land values putting the farmer in this kind of a condition. At Kansas City at this grain-rate hearing I heard evidence from Iowa that just took the bottom out of it, so far as that is concerned. They had two counties from which they quoted the numbers of transfers of real estate, one county in Iowa where they claimed they had the largest number of transfers of any county in the State, and in Scott County, where the price of land was high, there were only 10 per cent on the lands that changed hands. So, for the life of me, I don't see how the 10 per cent would affect the remaining 90 per cent who had not purchased any of the high-priced land.

The CHAIRMAN. In what length of time?

Mr. HAGAN. I don't recall the period. I guess they did give the exact time that was for, but I don't recall it. For the life of me I don't see why a 10 per cent transfer would affect the other 90 per cent, because of a man living across the road from me was foolish enough to pay two or three times as much as land was worth, it would not prevent me from raising just as much grain or of getting just as good a price as if he had not paid that price for the land. So, I can't see why the other 90 per cent could have been affected by that price of land at all. I don't believe that they would be. We find

foolish business men once in a while, but it does not affect all the rest of business. Not at all. They don't consider it that way, and why that charge should be made against agriculture I don't understand.

The next county in Iowa that they quoted figures from was a trifle over 7 per cent of transfers. And then in western Kansas, Senator Capper's State, they testified, I think, that it was 1¾ per cent of the land that they transferred during the period of inflation and those farmers were in mighty bad shape, too. So I can't see why they should attribute it to high-priced land at all.

Now, for instance, in our State the land values did not increase to any appreciable degree during this inflation period. We had short crops, which was probably the only reason for it. So that would not affect us scarcely any at all.

The difficulty, as I see it, with the American farmer to-day is that he is required to sell his product upon a price dictated by a war-ridden, bankrupt Europe, and he is required to buy the products which he must use himself in a highly protected American market. That is the way I would sum it up. I think that is one of the great difficulties.

The CHAIRMAN. I would like to ask you, in connection with those various computations you made about the freight, have you any information about the amount of freight that the farmers paid?

Mr. HAGAN. No; I did not compile that. I could have done it. I do have a statement here. While I had it I wanted to get it reduced to writing, and so I have a statement here from the rate expert who works for the railroad commissioners of North Dakota, in which he says that our freight rates on grain, wheat, and coarse grains has increased 47 per cent.

The CHAIRMAN. Since when?

Mr. HAGAN. Since 1918. I will read this letter:

THE BOARD OF RAILROAD COMMISSIONERS,
Bismarck, January 3, 1924.

Mr. JOHN N. HAGAN,
Supervisor grades, weights, and measures, Bismarck, N. Dak.

DEAR MR. HAGAN: In compliance with your request for information regarding increases in the freight rates on wheat, carload, from North Dakota and other wheat-producing States to terminal markets, please be advised that on June 25, 1918, the rates were increased 25 per cent subject to a maximum increase of 6 cents per 100 pounds. On August 26, 1920, there was a further increase of 35 per cent, and January 1, 1922, there was a reduction of 13 per cent.

As an illustration, we will take the rate on wheat from Bismarck, N. Dak., to the Twin Cities and Duluth. On June 24, 1918, the rate was 16 cents per 100 pounds, or 9.6 cents per bushel. On June 25, 1918, the rate was increased to 20 cents per 100 pounds, or 12 cents per bushel. On August 26, 1920, the rate was further increased to 27 cents per 100 pounds, or 16.2 cents per bushel. On January 1, 1922, the rate was reduced to 23¼ cents per 100 pounds, or 14.1 cents per bushel, which is now in effect.

So that, considering the two increases and the one reduction, there has been a net increase of 47 per cent.

Yours very truly,

BOARD OF RAILROAD COMMISSIONERS,
By E. M. HENDRICKS, *Traffic Expert.*

The CHAIRMAN. How many miles is it from Bismarck to Minneapolis?

Mr. HAGAN. About 450 miles.

The CHAIRMAN. And what was the rate per bushel?

Mr. HAGAN. 16.2 cents.

The CHAIRMAN. Of course much of the wheat had to be transported from Fargo to Minneapolis. Have you got any figures on the freight rate between those points?

Mr. HAGAN. No; I don't have that. I will say this, however, that in making some comparison with the freight rates charged Canadian farmers to their terminals and the freight rates that are charged in the United States to our terminals, that our freight rates are considerably higher. For instance, I have in mind just one particular case now, to eastern Montana, the town of Snowden, which is just across the line from North Dakota. The distance is 650 miles from Duluth, and the freight rate is 18 cents a bushel, and a town over in Saskatchewan, a distance of 649 miles to their terminal, Port Arthur, 1 mile less than ours, their rate is 10.8 cents per bushel. The difference there would be 7.2 cents on every bushel of grain.

Now that is a comparison. I compared a number of places, but I recall that particular one.

The CHAIRMAN. Of course as you went further out west the distance would be greater and as you came this way it would be less.

Mr. HAGAN. It would be a little less, but not very much.

The CHAIRMAN. We will have to adjourn now until 10 o'clock to-morrow morning.

(At 12 o'clock noon the committee adjourned to 10 o'clock a. m., Friday, January 11, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

FRIDAY, JANUARY 11, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 324, Senate Office Building, Senator George W. Norris, presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Ladd, Norbeck, McKinley, Kendrick, Heflin, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order and we will proceed.

Mr. Hagan, you may take up the thread of your discussion where you left off yesterday, and we will be glad to have you continue.

FURTHER STATEMENT OF JOHN N. HAGAN, BISMARCK, N. DAK., SUPERVISOR OF GRADES, WEIGHTS, AND MEASURES OF THE STATE OF NORTH DAKOTA.

Mr. HAGAN. I believe yesterday I closed by giving the increase in freight rates, and read from a letter written by E. M. Hendricks, traffic expert of the board of railroad commissioners of the State of North Dakota, in which the total increase in freight rates as it now stands on wheat and coarse grains in North Dakota from 1918 to the present time is 47 per cent. We hold that that is one of the things which the agricultural people of the grain-raising States can not stand. It is entirely too high a rate.

Senator LADD. Let me ask you, had there been any material increase for the four years preceding that, if you recall?

The CHAIRMAN. He went into that yesterday.

Senator LADD. I was not here at the time he testified yesterday. If he has gone into it, never mind.

The CHAIRMAN. This rate that he is giving now is the net increase during that time. There were three increases and one decrease.

Mr. HAGAN. The rate on wheat reached a maximum of 16.2 cents per bushel, and at the present time it is 14.1 cents per bushel, as there was a 13 per cent decrease.

Senator GOODING. That is in North Dakota?

Mr. HAGAN. I am giving this rate from Bismarck, N. Dak., which is a distance of about 450 miles from the terminal, and is about the average distance that grain is hauled from our State.

I also gave a comparative figure on the Canadian railroads, showing that there is a lower freight rate on the Canadian wheat to their terminal at Port Arthur. There is quite a difference there, and

the point that I gave was Snowden, Mont., where the rate is 18 cents per bushel to Duluth, a distance of 650 miles. At another point in Saskatchewan, that was 649 miles from Port Arthur, the freight rate was 10.8 cents per bushel, or a difference of 7.2 cents per bushel in favor of the Canadians.

The CHAIRMAN. It would follow that the difference would increase as the distance increased and decrease as the distance decreased, would it not?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. I think that would be plain. From western Canada as compared to Montana points particularly it would be an increase.

Mr. HAGAN. Yes.

The CHAIRMAN. Applied to points east of Bismarck it would be a decrease?

Mr. HAGAN. A slight decrease.

I have here a copy of the report that was given by Doctor Taylor, Chief of the Bureau of Agricultural Economics.

Senator RALSTON. Just before you leave that, Mr. Chairman, if the witness has not the information maybe you have. Are you familiar with the difference, if there is any, between the cost of upkeep of Canadian railroads and the upkeep of American railroads?

The CHAIRMAN. No; I am not familiar with that, Senator.

Senator RALSTON. Are you, Mr. Hagan?

Mr. HAGAN. No; I am not familiar with that particularly, but I will say that in North Dakota it is a prairie State, and the upkeep of the roadbed in North Dakota is very, very light, exceedingly light, more so than in most of the States in fact, and we feel as though we are imposed upon by paying the freight rates that we are paying now.

The CHAIRMAN. In what study I have made of this rate question and comparing Canadian rates with American rates—and I have gone into it somewhat, but the point that Senator Ralston raises I have never considered—I have gone on the assumption, which may be erroneous, I confess, that the upkeep on the average would vary but very little. The roads are parallel, and to a great extent run through a similar kind of country.

Senator LADD. Very largely prairie country.

The CHAIRMAN. Yes; and when they get further back they get into the mountains and timber on both sides of the line.

Mr. HAGAN. This report deals with the bankruptcy cases of farmers and covers the years 1913, 1921, 1922, and 1923 for the States of Iowa, Montana, and North Dakota.

In 1913 in Iowa there were 358, of which 15.76 per cent were farmers.

In Montana there were in 1913, 144 total, of which 26.39 per cent were farmers.

In North Dakota there were in 1913, 165, of which 55.77 per cent were farmers.

In 1921 in Iowa there were 275 bankruptcy cases, of which 27.27 per cent were farmers.

In Montana in 1921 there were 226, of which 36.28 were farmers.

In North Dakota in 1921 there were 146, of which 63.7 per cent were farmers.

In 1922 Iowa had 704, of which 52.27 per cent were farmers.

In 1922 Montana had 363, of which 59.23 per cent were farmers.

In 1921 North Dakota had 302, of which 78.48 per cent were farmers.

In 1923—this is for the fiscal years, ending June 30—Iowa had 935, of which 52.30 per cent were farmers.

Montana had 611, of which 59.9 per cent were farmers.

North Dakota had 615, of which 82.11 per cent were farmers.

I have given these figures in order to show that a larger percentage in North Dakota were farmers than persons following any other occupation that resorted to the bankruptcy court.

Senator GOODING. 78 per cent, is that?

Mr. HAGAN. In 1923 it was 82.11 per cent.

Senator GOODING. My State has the honor of being next.

Mr. HAGAN. What is your State?

Senator GOODING. Idaho.

Mr. HAGAN. I do not have that.

I have here the report of the State bank examiner of the banks and trust companies that are operating in North Dakota.

Senator LADD. Is that the State banks?

Mr. HAGAN. State banks and trust companies. This does not include the national banks. This is as of September 8, 1923. I tried to get a report of the same month of 1920, but they only had one report in the office, so I copied the figures of the things I desired.

In their reports they are required to give their banking house, furniture, and fixtures valuation, and also all their real estate, which would mean farm lands.

September 8, 1920, they reported as having $2,343,231.13, and on September 8, 1923, just three years later, they had $5,557,538.75.

The CHAIRMAN. That is the value of the real estate they owned?

Mr. HAGAN. Their real estate which would mean the farms.

The CHAIRMAN. Yes.

Mr. HAGAN. Which showed an increase in the three years of $3,214,307.62, or an increase of approximately 150 per cent in real estate holdings.

The CHAIRMAN. That is outside of their banking houses?

Mr. HAGAN. Yes, sir; outside of their banking houses.

Now, the banks of North Dakota did not desire to acquire this real estate, but it is just simply that they were required to take it over because the farmers were not making a success of it, and they have become overloaded with real estate, and the bankers of our State are learning a lesson in agriculture, because as they take this land over in order to break even until such a time as land might increase in value they must necessarily make the interest and taxes on this land, whatever investment they may have in it, and they are beginning to find out that the farmers have been right in saying that it does not meet the expense of cultivation, and they are doing everything in their power to prevent the taking over of real estate at the present time in our State. They are trying to persuade the people to remain on the farms and continue to work them and to keep what little equity they have in them, and continue on rather than that they should take it over.

Senator LADD. I presume, in a general way, the same thing would be true of the national banks?

Mr. HAGAN. I think that is true of the national banks, also; yes, sir.

This report, I think, illustrates the tremendous increase that has been forced upon them in their holdings of real estate, which is against their wishes, I am sure.

The CHAIRMAN. Have you any figures or statistics to show what has been the result of the banks holding this extra real estate? I suppose every bank that gets a piece of real estate keeps a book of just exactly how they come out on that real estate. It would be interesting to know, if you have that information, how the banks have come out on their operations of that real estate.

Mr. HAGAN. I have not any statistics on that or anything definite, but I have talked with a great many bankers of the State, and those with whom I have talked have said that they can not make interest and taxes. They have conceded that to me, I think without an exception, and I have talked to a great many.

Senator GOODING. Is it not a fact in your State that many of them are holding their farms because the banks do not want to foreclose, and if the banks foreclosed on everything that they could out there foreclosures and bankruptcy cases would be a great deal larger in number than they are now?

Mr. HAGAN. Yes, sir. I know the banks are holding a great many people on the farms without foreclosing on the farm. They are trying to persuade them to remain on so that they won't have to take those farms over.

Senator GOODING. That is the condition in my State, and so I imagine likely it must be your condition, because it is the same with bankers everywhere. They have discovered that the man who is on the farm can come nearer paying the taxes than anybody else, and they are not foreclosing out in my State. They are encouraging the farmers to stay on the farms, hoping that they will work out.

The CHAIRMAN. It is the very best kind of evidence to show whether farming is profitable or not, where a book account is kept and charges made of all the expenses and credits made for all the income that belongs to the farms, and the banks, when they take a farm, have to keep that kind of account of every farm they take, and it would be a very good demonstration as to whether you could take land and charge up everything on both sides of the ledger and make it pay.

Mr. HAGAN. That would be about the best kind of evidence you could procure.

The CHAIRMAN. I think so, yes. After all the farmer, it seems to me, ought to be allowed to make a profit after he has charged up everything that a bank would charge up. Other businesses are operated that way. Corporations do that. Of course it is not satisfied and ought not to be satisfied unless on the whole transaction it makes a profit. If you can take a farm and do the same thing on a business principle and keep books on it and it brings in a loss, it is pretty near conclusive evidence that there is something wrong with farming operations.

Mr. HAGAN. Now yesterday I gave the number of sheriff foreclosures in the State, but you were not here yesterday, Senator Ladd, and I will just review a little of that.

For the entire State there were 9.76 per cent of the total farms foreclosed on the first 11 months of 1923. The county that had the largest amount went as high as 36.81 per cent in the first 11 months of 1923. There was Ward County, the county that my house is located in, in the northwestern section of the State, which was a trifle over 20 per cent. That would mean there was one farm out of every five. In my county, McHenry County, there were something over 12 per cent, or one farm out of every eight. In the Red River Valley it ran from about 5 per cent—I think Traill County was a little lower—to 7 and 8 per cent.

Senator LADD. They had larger reserves to draw on.

Mr. HAGAN. That is what I tried to explain yesterday, that they had larger reserves to draw on, and were in a favored section of the State, where there was a sufficient amount of moisture, and where there was so much moisture in fact that a large part of that country had to be drained, and that is not in the marginal territory, and not considered so at all.

Now in explaining that yesterday I did not explain that there were a large number of assignments of property where farmers were giving up and where they did not go through the foreclosure proceedings at all, but would assign their property over to the mortgage holder and then go away.

The CHAIRMAN. Those instances are not included in the records you gave of the foreclosures?

Mr. HAGAN. They are not included in the records I gave of the foreclosures at all. I have no way of arriving at that definitely, but I know there is a great deal of it.

The CHAIRMAN. I think it is a fair assumption to say any man who has had experience as an attorney realizes that it very often occurs, instead of foreclosing, a settlement is made and the man deeds the land over.

Senator GOODING. I think there are more cases of that kind than where there are real foreclosures. There are in my State, in my own neighborhood, that I have knowledge of.

Mr. HAGAN. The number of farms that were lost in North Dakota in the first 11 months of that year would be much more than the figure I gave, which was something over 9 per cent.

The CHAIRMAN. I should think it is fair to say that in those cases it often happens there is more equity that the farmer gets than there is in a forecloslure case.

Mr. HAGAN. Yes. Sometimes they give him a little money.

The CHAIRMAN. Yes. I know in my experience it is a very common thing, even when they did not think there was any equity they would give them what it would cost them to foreclose, at least, and settle it up at once and save foreclosure proceedings.

Mr. HAGAN. I tried to get the retail prices of farm machinery from the International Harvester Co.'s office at Bismarck, where they have a distributing point, and where I have lived for a period of years.

I called them up over the phone and asked them if they could give me this, and told them that I wanted it for the purpose of showing that the farmers were not receiving a fair price for their products, and I was told that they did not know anything about

the retail prices of farm machinery, which I thought was a rather peculiar statement for them to make, and so I then went to a retail dealer at Bismarck, and while he did not have things compiled in a very systematic manner, and he had to dig up a great deal of it out of his records and invoices and so forth, he did give me the prices of quite a number of implements that are used on a North Dakota farm.

For instance, a 14-inch gang plow of the kind we use, the retail price was $125 in 1923, and in 1915 the retail price was $80.

A 24-foot harrow, the retail price in 1923 was $30, and in 1915 it was $18.

A 16 by 16 disk, the retail price in 1923 was $65, and in 1915 it was $45.

A 20-disk grain drill, double disk, is now $195, and in 1915 it was $127.50.

A single-disk grain drill in 1923 was $185, and in 1915 it was $115.

An 8-foot corn binder in 1923 was $245, and in 1915 it was $168.

A 12-foot grain header that they use in parts of our State in 1923 was $400, and in 1915 it was $200. That is exactly 100 per cent increase.

In fact, all of the machinery prices that he gave me ranged from about 50 per cent to 100 per cent increase during this time.

Now, I think I had better read some more of these things.

A farm wagon, 3½ by 10 inch skein, in 1923 was $150, and in 1915 it was $80.

A 36-inch wagon box, complete, in 1923 was $48 and in 1915 $35.

A 2-row corn planter in 1923 was $75 and in 1915 was $47.50.

A 1-row cultivator in 1923 was $57.50, and in 1915 it was $32.50.

A corn binder in 1923 was $200, and in 1915 it was $150.

A potato planter in 1923 was $75, and in 1915 it was $65.

A 5-foot mower in 1923 was $90, and in 1915 it was $55.

A 10-foot hayrake in 1923 was $45, and in 1915 it was $30.

A sweep rake in 1923 was $40, and in 1915 it was $21.

A hay stacker in 1923 was $90, and in 1915 it was $45.

A gas engine, 2½-horsepower, the ordinary size that is used on the farms for pumping water and doing light engine work, in 1923 was $77.50 and in 1915 was $50.

A cream separator, 500-pound size, the De Leval, one of the standard makes and considered one of the best, in 1923 was $92.50, and in 1915 it was $62.50.

I might state in connection with this, however, that in 1920 I paid $120 for that size myself.

A good bobsled, the retail price in 1923 was—well he could not give me that. He did not know what he was going to charge, but it cost him wholesale $43, and in 1915 it was retailed at $25.

Senator RALSTON. Mr. Hagan, to what are those enormous increases in the price of farm implements that you have mentioned attributed by the dealers?

Mr. HAGAN. Well, I have asked that question of several dealers, and one of the things that they all agree upon is the high freight rates. And then they also claim that the material that goes into the raw material has increased, and the labor costs have increased so as to make these prices.

Senator RALSTON. Have you made any investigation to ascertain whether those increases were natural or abnormal, whether reasonable or abnormal?

Mr. HAGAN. That is, you mean the retail price?

Senator RALSTON. Yes.

Mr. HAGAN. Whether the retailer gets too much——

Senator RALSTON. Whether considering the causes assigned for the increases in price you have made any investigation to ascertain whether they are normal increases or not.

Mr. HAGAN. No; I have not. I heard some testimony before the Interstate Commerce Commission at Kansas City by a representative of the John Deer Implement Co., of Moline, Ill., in which he stated that the freight rate played a very important part in the increased price of farm machinery, and that the farmers he claimed because of the tremendous prices they were required to get for this machinery were not able to buy it, and were doing without much machinery that they ought to have, and that their output for 1923 was only 28 per cent of normal.

I did ask the International man what the prices were going to be for 1924, and he told me that farm machinery was going to increase, that the International was going to increase 20 per cent for 1924, and repairs 15 per cent. I did not ask him why.

The CHAIRMAN. Do you know whether the freight increase that you have given on grain applied to all other things in the same ratio that you have given to farm machinery?

Mr. HAGAN. No, I did not make that analysis.

The CHAIRMAN. What is the increase in percentage in freight rates on your grain from Bismarck?

Mr. HAGAN. Forty-three per cent.

The CHAIRMAN. You don't know whether the same ratio of increase would apply to farm machinery?

Mr. HAGAN. No, sir.

The CHAIRMAN. We know there was some increase?

Senator GOODING. Wheat, Mr. Chairman, was increased less than other farm product. The inceases were not made quite as high at the time.

The CHAIRMAN. Of course farm machinery, Senator, is not a farm product, but it is what the farmer has to buy, and he has to pay the freight.

Senator GOODING. You had two horizontal increases, first by the Director General of Railroads of 25 per cent, and then came the Esch-Cummins Act under which they were increased by the Interstate Commerce Commission from 25 per cent to 45 per cent on all railroads and on all commodities, a horizontal increase of 33⅓ per cent from one group of railroads to another. I think the two horizontal increases of freight rates were from 67 per cent to 71 per cent. Wheat was increased about 50 per cent. The increase is a little less. It did not make the increase on wheat quite as much as they did on other products, that is, the percentage, but on the whole, take the average of farm products, it is 67 per cent made by the Government, and the Government has increased the price of labor on the railroads 120 per cent, even with the reductions at the present time. At one time it was 147 per cent, and it was made by the Government. That

is what is the matter with the farmer. He is not responsible for that. He can not help himself. He has an impossible condition that is confronting him, brought about by the Government itself in the increased labor of 2,000,000 men on the railroads and increase of freight rates. The farmer pays more freight rates than anybody else. He has more to ship as an individual, and has more to buy, as far as that is concerned, and longer hauls. I don't think it is any trouble to understand what is the matter with the farmer in my estimation. The Government itself is responsible for it.

The CHAIRMAN. All right, Mr. Hagan.

Mr. HAGAN. Now, I have here a report on the cost of producing wheat in our State for 1923 that I think might be interesting. This is a report that was compiled by Rex Willard, of the agricultural college at Fargo. They took a number of farms in different sections of the State, where they kept cost accounts of the production of wheat in our State, and in 1923 he has given the figure as $1.49 a bushel.

Senator LADD. As the cost price of production?

Mr. HAGAN. As the cost price of production of wheat.

Senator LADD. And that does not include any profit for the farmer? That is the actual cost price?

Mr. HAGAN. No, that does not include profit. That is the actual cost price.

I have seen a report since having these figures, from the Secretary of Agriculture, on the hard red spring wheat. That is, he included North Dakota and South Dakota. He seems to have omitted Montana. I don't know why. But he gave as the cost in those three States $1.21 per bushel, excluding land rentals.

Senator GOODING. For what year?

Mr. HAGAN. For 1923.

Senator GOODING. Yes, but they figured that on 6 per cent interest, which the farmer does not get.

Mr. HAGAN. He does not get it in our country.

Senator GOODING. No, and he does not get it in mine. I saw those figures and asked them what rate of interest they figured, and they said 6 per cent, and in my State they pay anywhere from 8 to 10 per cent.

Mr. HAGAN. This $1.21 as computed by the Secretary of Agriculture does not include the interest on the investment and does not include the taxes, which I would consider as land rental, and he had it as $1.21, so if that was added I think it would be comparable. would compare very favorably with the figures Mr. Willard has compiled from our agricultural college.

This was taken from actual cost records of farmers who kept these records for the agricultural college, and then they computed them and took an average for the State. They would have a group of farmers in one section of the State and a group of farmers in another section of the State, and then they compared them all.

Senator GOODING. Will you put those figures in the record?

Senator LADD. If I understand correctly, Mr. Willard will be here and we can ask him about that.

Senator GOODING. That is all right. This is on the farm? This does not include the elevators; it is on the farm?

Mr. HAGAN. Yes, sir.

He says in the Red River Valley section the cost per bushel was $1.78. In central North Dakota the cost per bushel was $1.82. In the northwest section of the State the cost per bushel was $1.11. In the southwest portion of the State the cost per bushel was $1.20. The average for the State taken from these figures is $1.49.

The CHAIRMAN. Now, what about the crop that year? What kind of a crop was it?

Mr. HAGAN. The crop was low in yield this year—that is, the year of 1923. It was a little below the average. The average for the State is about 10 bushels per acre, or approximately 10 bushels, over a period of years, and this year these figures were computed on the basis of 8.2 bushels. However, since that time the agricultural statistician reports that the average yield for 1923 was 7.1 bushels. So if it was figured on the latest average it would still be at a higher cost.

The average price that we received in North Dakota for wheat on December 1, 1923, as given by the agricultural statistician was 86 cents.

Senator LADD. When was that?

Mr. HAGAN. On December 1, 1923.

Senator LADD. That was for No. 1?

Mr. HAGAN. That would be for No. 1 wheat. Understand that our wheat does not all grade No. 1. There is a great deal of it that grades No. 2, No. 3, No. 4, No. 5, and sample grading, and while this year, judging from my experience with the elevators and reports from them, probably No. 2 would be an average grade for this year.

The CHAIRMAN. Now, what was the price?

Mr. HAGAN. That price would be about 3 cents less.

Senator RALSTON. Mr. Chairman, let me ask right in that connection this question: It may be really foreign to the point at issue right now, but I have no knowledge on the subject, and I don't know whether it has ever been investigated or not, or whether there is any ground for what is in my mind, but to what extent do farmers suffer by the arbitrary grading of wheat by an elevator man. Has that question ever been up?

The CHAIRMAN. There has been a great deal of discussion about that.

Senator GOODING. That was presented here last winter.

Senator RALSTON. You knew about this?

Senator GOODING. The elevators take every advantage that they can.

The CHAIRMAN. Nobody ought to underestimate the importance of the subject, because a great deal of difference can be brought about by the grading of the grain. There is not any question about that. It is a very important thing.

Senator GOODING. It gives the elevators an opportunity, if they are inclined to take advantage of it.

The CHAIRMAN. It is natural that the buyer would try to have it graded down as low as possible and the seller as high as possible.

Senator GOODING. The fixing of grades has not inured to the interest of the farmer, has it, Senator Ladd, at all?

Senator LADD. No, sir; it has not. Not only that, but very frequently the elevator man has had instructions that no grain of a particular class for that year should be graded above a certain grade, and of that I have official records.

The CHAIRMAN. This witness gave us some testimony yesterday about a law that it is his duty in North Dakota to administer which has been held up by an injunction for the last two or three years, and you will remember he called our attention to one of the things that the law provided for, and that was for the payment to the farmer for the dockage, if it was valuable, or the return to the farmer of the dockage. As I understand it, there is some dockage that is very valuable.

Mr. HAGAN. Yes, sir; it has a market value.

The CHAIRMAN. Yes; it has a market value.

Mr. HAGAN. There are times, especially when other feed grains are high priced, it has a very high market value, and under the present conditions, with this injunction hanging over the initiated grain grading act, they are not required to give back any of that to the farmer or to pay him for it, and we contend in North Dakota that this is valuable dockage, and after the cleaning charges have been deducted the balance of it belongs to the farmer. Authority is given the supervisor of grades, weights, and measures to formulate rules governing that, and, of course, that is one of the objections that especially the old-line elevators make, because for years and years, outside of the short time that the 1919 grain grading act in North Dakota was in operation, they have been appropriating that unto themselves.

The CHAIRMAN. That is, you have been prohibited by this injunction from looking after that?

Mr. HAGAN. Yes, sir. I am prohibited and restrained.

Senator LADD. Before the injunction was secured is it not a fact that some of the elevators were obliged to and did pay the farmers for a single elevator several thousand dollars?

Mr. HAGAN. Yes, sir. I think there was some elevator, as I recall it, that paid something like $18,000 back.

Senator LADD. That is right.

The CHAIRMAN. In how long a time?

Mr. HAGAN. Well, it was during one season.

Senator GOODING. In dockage?

Mr. HAGAN. Yes; for dockage.

The CHAIRMAN. They don't account for that at all now?

Mr. HAGAN. No; they don't account for it at all.

Senator GOODING. Let me ask you about moisture. Sometimes the wheat in your country does not reach the standard of moisture prescribed, does it?

Mr. HAGAN. No. It usually does not.

Senator GOODING. Does the farmer get any benefit for below standard?

Mr. HAGAN. No, sir.

Senator GOODING. That is what I understand out in my country. It is seldom that it ever goes over. This year it was a wet year and it went over.

Mr. HAGAN. The wheat in our State very seldom exceeds the moisture as prescribed by the Federal standard, but we receive no benefit from it if it is lower. We receive no benefit at all.

Senator GOODING. That measure came out of the Department of Agriculture, too, didn't it? Do you remember that, Mr. Chairman?

The CHAIRMAN. The grain grading act, Senator, was introduced and championed by the Senator from North Dakota, Mr. McCumber. He kept at that for a long time, until he succeeded, until we passed the grain grading act, and I think that is the act that is now on the Federal statute book and is being enforced.

Senator GOODING. I think the Secretary of Agriculture was generally asking for it, but it has not worked out well for some reason or other.

The CHAIRMAN. I think there were some good things about it, and I am not criticizing the Senator from North Dakota.

Senator GOODING. There were some good features, in my judgment, in that act, but there were some very bad features also in the law as it was administered by the Secretary of Agriculture, as, for instance, the 15 per cent moisture.

The CHAIRMAN. And complaint has come on account of rules and regulations that have been made by the Department of Agriculture in carrying the law into effect.

Senator LADD. Yes; and there were many features that are unfair to the farmer and favorable to the millmen.

Mr. HAGAN. Of course the act gives the Secretary of Agriculture very broad power in formulating rules regulating the grading and weighing of grain, and there are some features about those rules and regulations that we do not like particularly. We have had numerous hearings before the Secretary of Agriculture, both out through the country and here in Washington, and we have gotten but very little consideration in the final analysis. Very little. I will say that.

Senator LADD. The terminal men seem to get their influence in last.

Mr. HAGAN. I think I have attended most of those hearings, and I never attended a hearing except that the terminal elevator men and the millers were always represented by some of the very best skill that they could produce, sometimes by attorneys of considerable skill in the grain trade.

Senator LADD. If the wheat contained about 12 per cent moisture, by the time it is converted into flour in the mills it usually contains the full 15 per cent, does it not?

Mr. HAGAN. Yes, sir. They temper it by adding moisture to it for milling purposes; but if it contains a certain percentage of moisture above the prescribed moisture content, then we are penalized for that, although they put in the moisture to grind the wheat. That is one of the objections we have to it, in case we have excess moisture some years.

Senator LADD. But in North Dakota, as a rule, there is almost no excess moisture?

Mr. HAGAN. No; no moisture.

Senator LADD. In the other more moist regions there would be, in southern Minnesota.

Mr. HAGAN. Yes. On that point drought localities would get hit worse than North Dakota would get hit.

Senator LADD. But we get no benefit?

Mr. HAGAN. Nobody would get any benefit except the miller. He does get benefit sometimes.

Senator LADD. Yes.

Mr. HAGAN. Another thing in the rules that we do not like in North Dakota is the rule on foreign material, in grading grain down because it contains foreign material. We take the position that the wheat should be graded and the foreign material used as dockage rather than to permit a certain amount of foreign material in the wheat to reduce the grade of the wheat.

The CHAIRMAN. Let us consider for a moment that foreign material. Sometimes it is rye, is it not?

Mr. HAGAN. Yes, sir; it is sometimes rye.

The CHAIRMAN. That cuts down the price by reducing the grade?

Mr. HAGAN. By reducing the grade.

The CHAIRMAN. Then they take the rye out, and it has a value on the market, the same as any other rye would have?

Mr. HAGAN. Yes, sir.

The CHAIRMAN. There would be an illustration, as I understand it, of where the elevator man would get the advantage of the producer, in that he is not required to account for that rye that he takes out.

Mr. HAGAN. Yes, sir.

The CHAIRMAN. Would that be dockage?

Mr. HAGAN. There is a certain amount that is permitted in there after that goes through screening. If there is over a certain amount of rye left in, or barley or wild oats, commonly known as mill oats, or any other foreign material——

Senator LADD. Cockle.

Mr. HAGAN. Cockle and wild pea, etc., and then they reduce the grade on what is left in there, which reduces the price.

Senator LADD. And they do this on the basis that the cockle and the wild pea, if it is in the flour, it injures the quality of the flour. Is not that correct?

Mr. HAGAN. Yes, sir.

Senator LADD. But is it not a fact that it is also claimed that by modern methods of milling and cleaning all this can be and is removed?

Mr. HAGAN. It is removed. That is the way I understand it. There is very little of it left in, and any part that might be left in would not be injurious to the flour, and they have modern processes by which they can eliminate it.

The CHAIRMAN. Now you think, if that is reudced to its last analysis, there ought to be a reduction made for this dockage unless the dockage itself is as valuable as the wheat, but it ought not to be entirely excluded. If it has any value at all, whatever value this dockage has, the man who owns the wheat and sells it ought to get credit for it. Is that right?

Mr. HAGAN. We take this position, that where that dockage can be removed and is removed the elevator should be permitted to make a charge and should be paid for the cleaning process, and after that

the farmer is entitled to the market value of that dockage, whatever might be its market value.

Senator LADD. But they must keep clearly in mind the difference between the dockage and foreign matter.

The CHAIRMAN. Well, I am speaking of dockage only that has value. Now of course that value is less, Senator, than the wheat itself, and there ought to be a deduction made in the price of the wheat, and then credit ought to be given for whatever the value of the dockage is.

Mr. HAGAN. But in the case of dockage, they would say there is 10 per cent dockage, and they don't pay you anything for that. They take that right off. That dockage many times embraces a considerable portion of flaxseed, which is worth two and a half times as much as the wheat.

The CHAIRMAN. In that case they ought to get more, it seems to me. In other words, suppose I had a bushel of wheat, and there was 10 per cent of rye in it. Now when you take that 10 per cent out you would not have a bushel of wheat left. You ought to be paid for whatever wheat there is there, and then you ought to be paid for the value of the rye there, less the expense of separating it.

Mr. HAGAN. You ought not to be paid only for that, but for the value of the dockage there is there, because that dockage is sent by carload lots after it is cleaned by the local elevator directly to Minneapolis, where the grain is sold, and has a value every day.

The CHAIRMAN. I understand that, or at least I think I do, and that is why I included that in my question. Let me repeat that question, Senator, and I wish the witness would follow this. Suppose wheat is worth a dollar a bushel, and you present a bushel of wheat to me and there is 10 per cent rye in it, and suppose rye is only worth 50 cents a bushel. Now if you take that rye out of that bushel, there is not a bushel of wheat left. Now I should pay you for whatever wheat is left. On the other hand, I ought to give you credit for the value of the rye that I take out, less the cost of taking it out. Is that a correct statement of the operation?

Mr. HAGAN. I don't follow you completely there. Wheat is worth a dollar a bushel, and then there is 10 per cent of rye?

The CHAIRMAN. Ten per cent of rye, and I take it out. That is dockage.

Senator LADD. And you pay for the bushel of wheat, which is more than the wheat would be worth for the wheat itself.

The CHAIRMAN. I pay at the rate of a dollar a bushel, which would not be quite a dollar in this case.

Senator RALSTON. It would be 90 cents.

The CHAIRMAN. It would be 90 cents, yes.

Senator LADD. You would pay for the amount of wheat you got, but if there happened to be a little cockle or wild pea in there they grade that down again and make the grade lower, but when they get it down to the mill all that is taken out and the wheat is then raised from No. 2 to No. 1.

The CHAIRMAN. I understand. And they get a higher rate for it.

Senator LADD. They get a higher rate for it.

The CHAIRMAN. And the farmer ought to get the benefit of it. But still there is not a bushel of wheat left.

Senator LADD. No.

The CHAIRMAN. That might change it from No. 2 grade to No. 1 grade, whatever is left, and he ought to get the benefit of that. Likewise he ought to get the market value of whatever you have taken out.

Senator LADD. Less the cost of taking it out.

The CHAIRMAN. Yes; less the cost of taking it out.

Senator GOODING. Let me put it this way, Mr. Chairman. There is 60 pounds to a bushel of wheat, and 5 pounds is foreign matter. The difference consists of what they call dockage. Now I understand that they take out that 5 pounds, and they only pay him for 55 pounds of wheat?

The CHAIRMAN. Yes.

Senator GOODING. I asked the question, do they put a certain per cent because that foreign matter is in the 60 pounds to commence with?

Mr. HAGAN. You mean grade it down?

Senator GOODING. Grade it down.

Mr. HAGAN. They would take a small quantity in a tester, then they run that through a screen, and whatever dockage is taken out, of course the farmer does not get anything for. You understand that.

Senator GOODING. No; I don't understand that.

Mr. HAGAN. If there is some remaining in there after going through the ordinary screening device that the elevator man would use, the grade is reduced.

Senator GOODING. I understand.

Mr. HAGAN. He only gets pay for the number of pounds of wheat that are left, and if there is a little foreign material left in there he would be paid for that small amount, you understand, but it reduces the grade, and he gets a less price for that bushel, and a small portion of some of this foreign material is permitted in the higher grades.

Senator GOODING. And on all those things the elevator man passes himself?

Mr. HAGAN. Yes; he passes on that himself, and the Deaprtment of Agriculture, even though it has broad powers under the United States grain standards act, does not presume to take jurisdiction of the local elevators throughout the country. They only work at terminal points. Under our State law we are trying to make this also apply, to see that the correct grade is given at the local market point.

Senator GOODING. Your work is supervisory, in other words?

Mr. HAGAN. Yes, sir; at the local point, where the Federal Department of Agriculture does not presume to take any jurisdiction.

The CHAIRMAN. But this is the law which you are restrained from enforcing?

Mr. HAGAN. We are restrained from operating that now and, as I said yesterday, so far as the grading of grain is concerned now in North Dakota, the sky is the limit. There is no one that can prevent them from taking as much or as little as they like, as a legal matter.

The CHAIRMAN. If there is any dispute the elevator man decides that?

Mr. HAGAN. He decides that now, but if our State law was in operation a case of that kind would be taken before the department, and it would be properly graded by a Federal licensed inspector, and a certificate issued for it in this controversy.

Senator HEFLIN. Your farmer now has no appeal?

Mr. HAGAN. He has no appeal now. None whatever.

Senator GOODING. And the condition is getting worse all the time?

Mr. HAGAN. Getting worse.

Senator GOODING. And it is in every other line. There is no question about that.

Mr. HAGAN. It is getting worse.

Senator HEFLIN. A few years ago the cotton exchanges had what they called a committee on grades, and they did that themselves, just as they are doing on your wheat, and we changed that and gave the right of appeal to the party to bring the samples to the Agricultural Department here and let experts, disinterested parties, determine the grade.

Mr. HAGAN. That is, you had a State law covering that, did you?

Senator HEFLIN. A United States law.

Mr. HAGAN. Yes. That is on cotton.

Senator HEFLIN. But before that, the man who sold the cotton had no appeal. The committee of the exchange fixed it just as they are fixing it now on your wheat.

The CHAIRMAN. As the witness has said, in North Dakota the jurisdiction of the Government does not extend to the local elevators, to regulate what happens between the farmer and the local elevator. That is what the State of North Dakota undertook to control by the passage of that law which the witness tells us he was prevented from enforcing by a Federal injunction, which is now pending in the Supreme Court. If the Supreme Court upholds that law the controversy will be over.

Senator HEFLIN. This Federal law could be amended to extend its jurisdiction.

The CHAIRMAN. Of course, if the Supreme Court upholds the law the thing is all settled in North Dakota.

Senator GOODING. The grain-grading act just gives the dishonest elevator man—and there may be one occasionally—an opportunity to hide behind the Government. Is not that the case?

Mr. HAGAN. It gives him an opportunity to take advantage of the farmer if he desires to do so.

Senator HEFLIN. And yet that is the law.

Mr. HAGAN. I will not say they are all dishonest, but there is a percentage of elevator men who are dishonest, the same as there is a percentage of men in any other occupation who are dishonest, and they have the opportunity to take advantage of their dishonesty.

Senator LADD. Is not this, in substance, the fact, that the elevators of Minnesota a few years ago said, in substance, that they did not get a square deal when they shipped their grain to the terminal elevators, and they got a law passed to protect them, but they forgot, in doing that, to extend that law back to the local elevator, to protect the farmer here at the local elevator, and the mills object to the law for the farmer, although they wanted it for themselves?

Mr. HAGAN. They object to it, and the farmers do not get that protection.

Senator RALSTON. Is it a fact, Mr. Chairman, that there can be a considerable percentage of foreign matter ground up into the flour without diminishing the quality of the flour?

The CHAIRMAN. It depends upon the character of the foreign matter, you understand. I have heard experts testify at various times that there are some things that will increase rather than diminish the value of the flour for some purposes. There may be more gluten in it, more food value, although the flour might not be as white. I presume this witness can tell us exactly what the facts are.

Mr. HAGAN. There was a bulletin issued by the Department of Agriculture, known as Bulletin No. 328, a few years ago that in substance said this: That rye in wheat not to exceed 3 per cent did not materially affect the quantity or quality of the flour. That was in substance.

Senator LADD. And that would apply to the rye in the North Dakota wheat, would it not?

Mr. HAGAN. Yes.

Senator LADD. And as a matter of fact is it not true that probably a large measure of those experiments were actually made in North Dakota?

Mr. HAGAN. Yes; they were made in North Dakota.

Senator GOODING. How about barley? It still makes a whiter flour than wheat?

Mr. HAGAN. Barley is a rather difficult grain to separate, but they do separate it, and I don't know whether it makes a whiter flour or not, but it is not very much liked by the millers, of course. But you take 3 per cent of rye in wheat, left in after it is screened, they would give us No. 3 for that—No. 3 grade, even though the wheat weighed 60 pounds to the bushel itself.

The CHAIRMAN. Suppose you took that rye out. What grade would it be then?

Mr. HAGAN. If we took the rye out it would be No. 1, but according to the United States Department of Agriculture bulletin that would not affect the quality of the flour at all.

The CHAIRMAN. Exactly. That is the point that the Senator from Indiana wanted to have brought out.

Mr. HAGAN. Now, I would like to sum up briefly such suggestions as I have.

One of the difficulties the farmer is experiencing at the present time, as I stated yesterday, is that he is selling a product on a price established by a war-ridden bankrupt Europe, and he is purchasing the product that he needs on his farm in a very highly protected American market. That is one of the things.

Another thing that is going through right at this time——

Senator GOODING. What do you call a protected market?

Mr. HAGAN. Why, on manufactured goods.

Senator GOODING. There is not any protection on farm machinery.

Mr. HAGAN. Well, but there is on the raw products that go into it.

Senator GOODING. That go into it; yes.

Mr. HAGAN. That eventually get there and helps make the price larger.

Senator GOODING. It is very little. Have you looked that up?

Mr. HAGAN. No; I have not looked it up definitely.

Senator GOODING. I have those figures. It is very small.

Mr. HAGAN. But I know that they have some protection. Also, the matter of clothing.

The CHAIRMAN. Suppose we take paint, for example. Now, did you look that up on the tariff schedule?

Mr. HAGAN. No; I didn't.

The CHAIRMAN. Paint and white lead. But I don't suppose we want to go into a tariff discussion.

Senator GOODING. Unless we want to take it off of wheat and everything else, and I don't imagine we want to do that, Mr. Chairman.

There is less tariff on what the farmer buys than on what anybody else buys in America. There is none on lumber, none on shingles, none on boots and shoes, none on clothes, none on farm machinery. Take everything that the farmer buys, and he has more on the free list than any other class of citizens in the country.

The CHAIRMAN. He has to buy clothes.

Senator GOODING. Yes; he buys clothes. We all have to buy clothes.

The CHAIRMAN. And according to his business, I think, he buys more paint than any other class of people in the world.

Senator GOODING. Not in the last 10 years, Mr. Chairman.

Mr. HAGAN. He has not had any money to buy it.

Senator LADD. Neither has the other man any money to buy it.

The CHAIRMAN. The things that go into paint are very high.

Senator HEFLIN. He buys more sugar, and pays 3 cents a pound on sugar, and he pays a tariff on salt.

Senator GOODING. You don't think he is affected by the tariff on salt out in the interior, do you?

Senator RALSTON. I don't think we can agree on that question. I think we had better stay away from it.

Mr. HAGAN. Yes. I just wanted to mention that to show his condition.

Another thing that is affecting the farmer very materially is the increase in freight rates since August, 1918, because the price of his product is established by the terminal market less the freight charge.

Senator GOODING. Including 1918, because the first 25 per cent increase occurred in 1918.

Mr. HAGAN. The first 25 per cent was added in 1918, and we think that it is exorbitant. To be frank with you, I will say that the majority of the people of our State believe that the law that is now in effect, the Federal law, relative to freight rates, should be modified or repealed. That is their honest opinion. I am giving this as the general opinion of the people of our State. Something must be done with that in order to reduce the freight rates. They can not stand that burden. It is too heavy. Just how that should be done, or just on what basis I won't presume to mention, but I will say that the Congress enacted that law and the result is that our freight rates are too high, and I think it is up to Congress to find the remedy. They know how they made the law, and they ought to know how to find the remedy.

Senator GOODING. Congress increased the price of 2,000,000 men on the railroads 120 per cent, so, of course, as a matter of necessity

there should have been some increase in freight rates, but not to the extent that they have been increased.

Mr. HAGAN. We believe that agriculture is the basic industry of the Nation, and we believe that it should be permitted to live, and taking all of these combinations together, agriculture can not live under those conditions, unless you lower the standard of living below that which the American farmer ought to have.

Senator HEFLIN. What percentage of the farmers in your section of the country are involved in debt and have mortgaged their farms?

The CHAIRMAN. Senator, just as a matter of saving time, the witness has been over that very fully.

Senator HEFLIN. He has been over that?

The CHAIRMAN. Yes; and I hope we will not have to go over it again.

Senator HEFLIN. If he has already stated it, I do not want to go into it again.

Mr. HAGAN. It is all in the record, but answering your question there, I will say that practically all of the farmers of our State are in debt.

Senator HEFLIN. This talk about people being prosperous and prosperity having returned is not correct?

Mr. HAGAN. The farmer has not felt that prosperity yet in North Dakota, but the farmer's equity in his property is diminishing year by year, and he is using up his equity.

Senator GOODING. Only the farmer's boy who has left the farm and gone into industry is prosperous, and most of them are leaving.

Mr. HAGAN. Our condition, which I think is the same as in other States, as I understand it, from my observation and experience in talking with other people in other States, is that it is almost an impossibility to keep the boys and girls on the farm any more. The higher wages which industry is able to offer are an inducement for them to go away. Whether they better their condition in a financial way or not, I am not so sure, but I do know that it is very appealing to them. They are getting tired of remaining on the farms year after year, working long hours and working hard, and at the end of the year finding that they are no better off and in many instances worse off than they were, and using up their equity, and I think the younger people are a little quicker in seeing that than the older people do, and the older people, while they do see it, are not in position to make the change, and something, we think, must be done to assist agriculture to get back on its feet. If it is not, in my opinion we will not produce enough foodstuffs to keep the American people going, and it will be necessary to import foodstuffs, and that necessarily will make the cost of living still higher, unless you lower the standard of living of the American farmer, and I do not believe we want to do that with such a large percentage of our population, something like 40 to 45 per cent.

Senator GOODING. You can not have two standards in America.

Mr. HAGAN. No; I do not think we should have.

Senator GOODING. There is too much intelligence here for that, because we are one people, and speak one language, and we can not have it.

Mr. HAGAN. Now it is not a matter of production, to my mind. It is not a matter of whether or not the American farmer can produce enough of that that he does produce. As I stated yesterday, the Department of Agriculture up here tells us now that we have been producing too much, and that is the reason we are not receiving prices which are high enough. So it is not a matter of production, and must be a matter of marketing. That seems to be our great difficulty—the marketing of agricultural products at such a price that it will meet the cost of production plus a reasonable profit that these people may remain in the industry and keep up their standards of living and education.

Now, there might be two ways, in my mind, in which it could be done. One is through cooperative organization; and I believe in cooperative organization. I belong to several of them, and have had some experience with them, but we have had cooperative organizations in the United States for the past 50 years and, to put it in plain language, I might say that we have not gotten away from the home plate yet. That is in the broad sense. So I see no immediate results that could be obtained through purely voluntary cooperative organizations.

Senator GOODING. Would there be any question in your mind, if we could organize the farmers, but what you could get results?

Mr. HAGAN. Yes, if you could have them organize the same as other industries are organized, he could get results, but that is an impossibility, especially in a short period of time. We have had this experience for 50 years of trying to organize the farmers, and nearly all of the farmers belong to some kind of a cooperative organization, and still they have not gotten anywhere, and so I don't see any immediate result that is going to come from that source.

Then the other step, as I see it, would be that there should be a governmental agency established so that the Government would become a cooperative organization for the farmers of the United States, and I believe that is the only thing we can get immediate results from, and I believe that this Norris-Sinclair bill that has been introduced, and which I have read over a few times, offers the best source of relief that we have ever had introduced in the American Congress for the American farmer.

There will be another bill, and I think they are having hearings now before the Agricultural Committee of the House, on what is known as the Burtness bill, or the Coulter plan, in which they propose to appropriate $50,000,000 for the purpose of permitting the grain farmer to make a change from grain farming to diversified farming, in the purchase of livestock. Now I think that is a very good bill, but it is not broad enough. It only touches a certain locality, and it will benefit only a certain class of farmers. I think it will be of material benefit. I don't want to say anything to discourage the passage of that act. Considering the amount of wealth that the farmers of the United States produce, they are certainly entitled to at least one bill, and I don't know that it would hurt Congress to pass two bills to help them out, if they are going to do anything for agriculture at all.

The people throughout the country are getting very much dissatisfied with the fact that other industries are succeeding and agriculture is not succeeding, and we believe that the American

farmer works as hard as anyone else does. We have practiced diversified farming in North Dakota as far as we are able to. We did not start as early as we should have. That is true. Indiana is my native State. You are a Senator from Indiana, Senator Ralston. I came from Fort Wayne, Ind., and Fort Wayne is in the northeastern part of the State, and I am 50 years old now, and so I remember quite distinctly for the past forty years the experiences that those farmers have had.

Fort Wayne, the county seat, has a population of approximately 100,000 people. It is only 150 miles from Chicago, and not very far from Buffalo, so it is right at the market. Fort Wayne is well located as to markets, and Fort Wayne itself furnishes a very good market for all agricultural products grown in that region, and those farmers there have followed diversified farming, to my knowledge, for 40 years. I believe they understand diversified farming, and still we find the farmers there in this condition. I visit there quite often—once or twice a year—and I find that the farmers there are having difficulties. They are having difficulty in the same proportion that our farmers are, compared to their equity in their real estate.

Senator RALSTON. Our farmers are very much depressed. There is no question about that.

Senator GOODING. And they diversify in Indiana?

Mr. HAGAN. This diversification that we hear so much about is overplayed. There is no question about that.

Senator RALSTON. Our farmers diversify, and they have done so for years.

Mr. HAGAN. In our State there is a class of farmers who are about at the end of their rope, and if they were given $1,000 to purchase some hogs, cattle, dairy cattle, or some sheep, they might be able to hold on a little longer, but that alone, without getting a fair price for their product, is not going to keep them there very long. In other words, I might say that it prolongs the agony.

Senator GOODING. The trouble, Mr. Chairman—I have studied the problem and have been on the farm all my life—is that we have an overproduction in America. We are producing now 40,000,000 acres of crops more than we consume. We have not got a balanced condition on the farm. We are importing a great deal of farm products that we ought to grow in this country, and we are growing too much wheat and not enough wool, and so it runs all the way down the line. And now we are going to increase the dairy industry. We are going to buy more dairy cows. It seems to me the tremendous increase in dairying in the last few years has brought about practically an overproduction in dairy products at the present time, and it is a very serious problem, and it is only because of the prosperity of the laboring men, and the tremendous increase in the use of milk that he takes for his lunch, and so on that saves the dairying industry from the same condition that other agriculture is in. If you study that you will find it is true. That is what the American farmer thinks. He turns from one industry to another. There is not a balanced condition on the farm, and he will never have it without organization. I don't know whether he will ever organize, and if he can not, I think his case is hopeless.

Senator HEFLIN. Do you agree with Senator Gooding that one of the causes is overproduction?

Mr. HAGAN. Through overproduction along some lines of agriculture that is true, and probably underproduction, as he stated, of some other lines, but if you changed these farms over you would still have an overproduction of some things.

Senator HEFLIN. This is what we have got to do in America. I have studied agriculture myself on the agricultural committees of the House and Senate for over 16 years. You have got to have a place in the banking system where the farmer can go when he does have this production and tie his stuff up and get money on it and keep it off the market.

Mr. HAGAN. Yes; the American farmer has been required to put his products on the market. He has been required to follow the dumping system.

Senator HEFLIN. These credit facilities have affected him, and he has been forced to sell his stuff at ruinous prices.

Mr. HAGAN. I might give you this illustration. In our State we have the Federal reserve banking system, and one Federal Reserve Bank is located in Minneapolis. They put out money in North Dakota to their member banks, which in turn was loaned to the farmer. I believe it was in 1920 when they had nearly $6,000,000 loaned in North Dakota they made a call for that money in the fall at the time that the farmer threshes his grain and puts his livestock and other products on the market, and they collected over 40 per cent of all they had in that State at that time.

Senator HEFLIN. When the farmer needed it most?

Mr. HAGAN. When the farmer needed it most, when he wanted to hold his products off the market, but he could not do it because the small bank must necessarily require him to pay when he had something to pay with, and therefore forced him to place his products on the market in a very short space of time.

Senator GOODING. That was in 1920?

Mr. HAGAN. That was in 1920. It is not a matter of getting more credit. That is not going to save the farmer, in my opinion, at all.

Senator RALSTON. That was in the fall of 1920?

Mr. HAGAN. Yes, sir.

Senator HEFLIN. In 1921 also, but I don't know the figures.

Senator LADD. In 60 days in the marketing season of the fall of 1920 the Federal Reserve Bank of Minneapolis withdrew, according to their personal statement to me, over two millions of dollars from the agricultural region of North Dakota, mostly, or a large percentage of it, from the western part of the State, from the small banks, and that left the farmer and small business man without any funds or credit available, and the price of everything dropped to the bottom.

Senator RALSTON. Why was that done, Senator Ladd? What was the object?

Senator LADD. Well, I think that I have stated it in some of my remarks, and I think Senator Heflin has.

Senator RALSTON. Why was this demand made by the Federal reserve banks to pay up?

Senator HEFLIN. It grew out of a conspiracy of the Wall Street financiers and certain members of the Federal Reserve Board to

bring that panic on in order that they could make millions of dollars in speculation in grain and cotton and Liberty bonds, and they made millions. The same Federal Reserve Board that sat there then is the board that is sitting there now, with the exception of Mr. Crissinger, who has been appointed, and I think a very good man. I made a hard fight to drive Governor Harding off the board. The same board that presided at the time this panic was brought about by the Federal reserve banking system sits there now.

Senator GOODING. I will send you an article from the Manufacturers' Record that you ought to read.

The CHAIRMAN. I wonder if we can not let the witness proceed and not take up the time with discussion among ourselves.

Mr. HAGAN. I don't know that I have any more evidence to offer to show the agricultural conditions. I think I have offered enough, and it does not differ materially from those in other States. It may be just a little more aggravated, because we have less equity in our real estate, or because we are so situated from climatic conditions that we can not follow quite as much diversified farming as they do in other sections, but other than that I think it is about the same. But I do believe that there is only one relief that the American farmer can get now that will help him materially and that will put agriculture upon a sound basis, and that is some kind of national legislation that will provide a means of marketing his product in an orderly way and placing it upon the market in an orderly way, and I think that this bill offers more than any bill that I know anything about.

Senator HEFLIN. Is there anything that will enable him to place it on the market in an orderly way more than having a banking institution to which he can go and get money to keep his product off the market?

Mr. HAGAN. Yes; but when you have a banking institution demanding money of him at the time that his product is ready to go onto the market, that makes it necessary for him to dump his crops right there.

Senator HEFLIN. That has been hampering many farmers now right in my country. The thing that disturbs the farmer and destroys him sooner or later is that as soon as his crop is harvested the banking institutions call on him to sell his cotton and pay his debts. The big bank calls on the local bank, and the local bank calls on the merchant, and the merchant calls on the farmer to put his cotton on the market, and that is what destroys him. Now, if he can go to the bank and say, "We want money on this cotton, we are not going to sell it at the present time," if he can do that, can go to the bank and get money on it, and hold it off the market until he can get a fairly good price for it, and take the money that he gets from the bank and pay off his debts and keep the cotton off the market until he can get a good price for it, he can get along. On the other hand, if he can not hold his cotton off the market, if he can get no money on it whatever, and if they force him to sell it in order to pay his debts, he is going to be ruined. If you could get money from some institution, and hold it, could you not make a profit?

Mr. HAGAN. Yes, we could do that, but that would require an organization of the farmers.

Senator HEFLIN. You ought to have both, but your organization is not worth anything if you can not get money.

Mr. HAGAN. That is one thing that we have to have. Our organizations are small and scattered all over the United States. Some of them are pretty large, that is true, but nevertheless they are not consolidated into any one organization, and I believe that it is necessary to do that.

Senator GOODING. But the Norris-Sinclair bill does not fix the price of any product, does it?

Mr. HAGAN. No.

Senator GOODING. How are the wheat growers going to get any benefit unless you can increase the price of wheat?

Mr. HAGAN. There will be a lot of details to be worked out through this corporation, as I understand, that is provided for in the Norris-Sinclair bill. This corporation has some pretty broad powers.

Senator GOODING. Yes, but you understand there was an increased production in Canada of 150 per cent during the war, and there has been an increased production in practically every country in the world, How are you going to increase the price of wheat with the Norris-Sinclair bill, which we have got to have in North Dakota and the wheat growers all over the country generally, if they are going to exist at all? I am for anything that will help the farmer. I have introduced a bill that will stabilize the price of wheat. If there is anything better than that I want to be for it, and I don't care what it is or where it comes from. I know the farmer has got to have help. I know he is facing a most impossible condition, and that he can not continue under the present conditions. We do not have to farm in this country, you know. Canada will grow all the wheat we need. We can go out of the wheat business entirely.

Senator HEFLIN. What is your plan of stabilization?

Senator GOODING. I introduced the same bill I had a year ago, fixing the price of wheat for two years in the primary markets, the same as the Government did during war time.

Senator LADD. You spoke of cooperative marketing and said that it had been a failure. These cooperative organizations have been organized in North Dakota for a number of years, have they not?

Mr. HAGAN. Yes, sir.

Senator LADD. Were they able, except for the small saving they made in handling their grain products, to get any particular advantage on the market?

Mr. HAGAN. They made a small saving on the local market, but other than that they did not get anywhere, because they could not control the terminal market facilities. It is claimed, and I think correctly so, that they have been discriminated against very materially by those who handle the exchange.

Senator LADD. Have you seen the report of the Federal Trade Commission?

Mr. HAGAN. I have a copy of it. I have not analyzed it and gone through it except in a general way.

Senator LADD. They show there very conclusively that a conspiracy existed on the part of the Minneapolis Grain Exchange for the purpose of driving the farmers' cooperative from the market by

various means, and if that is true that would account for or be one reason why the cooperative had not succeeded there, would it not?

Mr. HAGAN. It was very difficult for the Equity Cooperative Exchange to succeed. One thing that they ran up against immediately was lack of sufficient funds. They were practically boycotted by the banks of the Twin Cities. That was one of the fundamental things that made it very difficult for them.

Then another thing; in the sale of their products they were discriminated against, and the Chamber of Commerce of Minneapolis and the Board of Trade of Duluth did everything in their power to prevent sales by the Equity Cooperative Exchange. There is not any doubt about that at all. I think that is generally conceded throughout the Northwest, and was even before the Federal Trade Commission ever made their investigation. I think you covered that the other day, didn't you?

The CHAIRMAN. Yes.

If that is all, we are very much obliged to you, Mr. Hagan.

Mr. HAGAN. Thank you, gentlemen.

The CHAIRMAN. There are quite a number of gentlemen here who are very anxious to get away, and I would like to accommodate all of them, but it is going to be an impossibility.

(Mr. Hagan submitted the following table as part of his statement:)

Bankruptcy cases of farmers.—Cases concluded in fiscal year ending June 30.

	1913			1921		
	Total.	Farmers.		Total.	Farmers.	
		Number.	Per cent of all cases.		Number.	Per cent of all cases.
Iowa	358	60	16.76	275	75	27.27
Montana	144	38	26.39	226	82	36.28
North Dakota	165	92	55.77	146	93	63.70
Total	667	190	28.49	647	250	38.64

	1922			1923		
	Total.	Farmers.		Total.	Farmers.	
		Number.	Per cent of all cases.		Number.	Per cent of all cases.
Iowa	704	368	52.27	935	489	52.30
Montana	363	215	59.23	611	366	59.90
North Dakota	302	237	78.48	749	615	82.11
Total	1,369	820	59.90	2,295	1,470	64.05

STATEMENT OF MR. J. C. THOMPSON, TEXARKANA, TEX., PRESIDENT OF THE FARM LABOR UNION OF AMERICA.

The CHAIRMAN. State your name and your business.

Mr. THOMPSON. J. C. Thompson, Texarkana, Tex. I am president of the Farm Labor Union.

The CHAIRMAN. We would like to have you tell us, in your own way, what your organization wants at our hands.

Mr. THOMPSON. It will not take me very long to tell you.

We are producing cotton in Texas as a money crop. Of course, we are producing other things also to use at home, but in order to pay our taxes and other things it takes money, and we have to have a money crop, and our money crop is cotton.

We find that we have been producing cotton down there and selling it below the cost of production. We have suspicioned that for several years, because of the fact that we seemed to be getting poorer and poorer; but until we formed this organization we really did not know how much below the cost of production we were selling.

Our agricultural department in Arkansas does not seem to function. It does not seem to give us very much information. So, when we formed the organization, we insisted on each one of our members keeping an accurate account of his crop. I have not the figures for 1923—I wish I did have—but due to the fact that our State office was being moved in the latter part of the year, I failed to get that, but I have them for the crop of 1922.

It cost our membership about 29.5 cents to produce the crop of 1922, and we sold it at an average of about 21.5 cents.

Senator LADD. That is actual cost, without profit?

Mr. THOMPSON. Without profit; yes, sir. Now, that does include, in some instances, interest on the investment, but in many instances our membership failed to figure in the interest on their investment. Of course, they are new to the business and have not been keeping accounts, and the accounts possibly were not absolutely correct in every instance, but approximately there was a loss of 8 cents per pound for the crop of 1922.

Now, the crop of 1923, from the information I have gathered over a few counties, will possibly run from 6 to 7 cents loss. Our manner of keeping account was to take an inventory the first of the year, just as a merchant would do—find out how much we have invested in the farming business—and then figure the interest on that at the prevailing rate at the local bank, 8 per cent or 10 per cent or 7 per cent—whatever it was, usually about 10 per cent: then charge against each crop everything that went into the cost of producing the crop. For instance, the see, the fertilizer, and every day's work. Now, we have insisted that our people charge against their crops a fair wage, something like $5 a day for a man and team, and $2 for a single man—a living wage, at least.

I heard a Congressman state, since I have been here, that he was producing cotton in Mississippi and was making a clear profit of 3 per cent on his investment; and there are men in Arkansas who are producing cotton and making a profit, but they are doing it with negro labor at four bits and six bits a day, a wage at which no white

man could hardly afford to work, and certainly could not live on, and a wage that no negro should be required to live on. At the wage paid on some of our plantations in Arkansas it is utterly impossible to educate the children. You can not do it. Our farmers are not educating their children in Arkansas. I am told by the county superintendents—and I have consulted and talked with possibly 20 or 30 of them this past year—that the children in Arkansas on the farms are losing from 35 to 50 per cent of the time that they should go to school, due to the fact that the farmers in my State have to keep those children in the fields. For instance, the schools begin in October. The children are still in the cotton fields and can not be spared until the crop is gathered. The schools then close in May, and they have to take them out of the schools sometimes in April and put them in the fields, causing them to lose anywhere from 30 to 50 per cent of the time from the schools, due to the fact that they have to have them in the fields in order to make a living.

Now, we think we should have at least cost of production, with interest on the investment, in the production of cotton. We do not get that, because we are absolutely at the mercy of the cotton speculators. We pay a profit to I don't know how many men between the man who puts the cotton on the street and the man who finally sells it to the spinner. I don't know how many of those fellows there are, but there is a string of them, and some of them are getting rich.

The CHAIRMAN. That is what I was going to ask you. I don't mention this in criticism of the middleman, because he ought to send his children to school and he ought to make a living and he is probably doing a perfectly legitimate business, like most of us would do if we had the opportunity to do the same thing. But as a rule those men who handle your product now after it leaves your hands and until it reaches the consumer are well to do?

Mr. THOMPSON. Yes; they are pretty well to do.

The CHAIRMAN. Take them as a class, all over your State, they are the rich men of the country?

Mr. THOMPSON. The rich men of our country, some of the best-to-do men. Some of the men who make the most money in the South handle cotton. For instance, I have in mind a man who made $20,000 in the season of 1921, handling cotton. In one season! While the farmer sold his cotton below the cost of production, that man grew rich.

Now, I am not envious of that man, but I do object to the manner in which he does it, because it costs us too much hard work.

As Mr. Hilliard said, we are organizing the farmers, and we are trying to sell cooperatively, and we have a rather effective organization that is really getting some results.

Now, our folks are selling by pooling their cotton and having it properly graded by our own grader-salesmen. We are getting a little more than the man outside of the union is getting, usually about from five to ten or fifteen dollars, or from one to three cents a pound. We accomplish that by selling in pool lots. Sometimes we sell by grade—grade lots. But still we are not getting the cost of production. We are not getting it due to the fact that our notes come due usually in Arkansas about the 15th of September, our notes are made out at the bank or the credit merchants. By the 15th of September we are just beginning to gather cotton, and then all the time that we get is from the 15th of September to the 1st of November, when the crop is practically out, and we sell it because the banker does not foreclose. It is grace given us by the bankers. They insist on making the notes due in September.

Now, we think if we had some kind of a marketing plan or some kind of assistance similar to the Norris-Sinclair bill, where the Government could step in and, if necessary, hold that cotton off the market, say, until we could sell it gradually throughout the winter and spring season, we would get something in the neighborhood of at least cost of production with that assistance. Of course, some of the banks are kind. Some of the banks will carry us over, but when they do it means that we must pay those banks from 8 to 10 per cent interest, and that is a drain that we believe we should be saved from. In a few instances we secure that extension of credit during the winter.

Senator HEFLIN. Don't you believe that it would be a good thing for you to change the date of making those notes due?

Mr. THOMPSON. We can't do it.

Senator HEFLIN. Why could not your organization do that—just go to the banks or the mercantile people or whoever you deal with and say, "We are not going to make notes this year that come due in the heart of the cotton-picking season; we will make them due December 26, when the year's work is practically ended"? If you are strong enough to do that, they would fall for your trade, because you could say you would not trade with them unless they did that.

Mr. THOMPSON. We are organized sufficiently to get some concessions from the banks, and we hope to be strong enough to do that, but up to the present time we have not been able to do very much. But even if we made them due in December that would mean that we would have to dump the entire cotton crop on the market, or practically all of it, by the 25th of December.

Senator HEFLIN. No; I don't think so; because if you could keep it off between the picking season and December 25 these fellows that are using it all the time would hold the price up in order to get you to sell it, and you would sell it along, but the price would be satisfactory; but now they know that when those notes come due all over the South, in your State and in my State, the farmers have got to put so much cotton on the market, regardless of what the price is.

Mr. THOMPSON. I rather think, Senator Heflin, that to be effective we would have to distribute the selling over a much longer period than that.

Senator HEFLIN. You could distribute the selling if you pleased, but I am talking about fixing it so that they can not force you to sell.

Mr. THOMPSON. Well, I don't seem to get the point. In my State the farmer owes his banker the entire cotton crop. He has no surplus that he can hold over himself. He is from one to two years behind there.

Senator HEFLIN. I understand you are in a deplorable fix, just as they are in my State.

Mr. THOMPSON. As evidence of that—this may be just a little bit foreign, but I don't know that it is, either—in the country adjoining me, Little River County (I am in Miller County, of which Texarkana is the county seat) in Little River County just north, last spring, there were 45,000 acres of agricultural land sold for taxes. The farmers could not pay their taxes.

In Benton County, I understand, there were 1,400 farms sold last year for taxes.

In Conway County I saw in the paper where there were 1,250 farms advertised for sale for taxes.

The people just can not get enough money there to pay their taxes. Our taxes are abnormally high. That is a State situation that you folks can not do anything with; but if we had a fair marketing system and could get somewhere in the neighborhood of cost of production for our cotton, we could certainly pay even the exorbitant State taxes. So we think it is time that the Federal Government came in and at least helped us as it helped the railroads under the Esch-Cummins Transportation Act. If the Government can do that for the railroads, it seems to me that the welfare of the farmer is more important than that of a few railroad magnates.

We are asking that the Government step in and at least arrange to finance our crop so that we can save ourselves. That is all. We are not asking for a price-fixing program and are not asking for any guaranty. We believe we can handle the situation if we can get the Government to furnish money free of interest in order to help us hold these crops.

Senator HEFLIN. The Government passed a bill through the House the last session of Congress providing for a ship subsidy, and they had a provision in that by which the Shipping Trust could borrow money out of the Treasury at 2 per cent.

Mr. THOMPSON. Yes; I think we are of just as much importance and are just as much a part of the Government as a few shipowners.

Now, I believe that is all I care to say. I think that gets our situation before you. I might go on for an hour and tell you of instances and different things, but I think you understand that we are just, as the old saying is, up against it in Arkansas.

Senator RALSTON. You are about down and out.

Mr. THOMPSON. Yes; we are just down and out. We have tried to help ourselves. We have done everything we knew how to do. We have reached the point now where we have got to have help from somewhere or we are going to quit farming.

Senator HEFLIN. Let me illustrate the point that I have in mind about what the farmer could do if he could hold the cotton off the market. I have in mind a good cotton farmer who held his 1920 crop, his 1921 and 1922 crops, and sold it all this last fall for 35 cents a pound. He was enabled to do that because he could get the money to hold his cotton. They could not make him sacrifice that cotton and throw it on the market, because he had several thousand acres of farm land and houses and lots, and he mortgaged all this stuff and tied it up and had a pretty hard pull some of the time, but he tided it over, and he was not hurt in the long run. Why? Because credit facilities were extended to him and he was enabled to carry his crop and not sacrifice it.

Mr. THOMPSON. Credit facilities extended, though, Senator, means interest charges, and interest will soon eat up your profits.

Senator HEFLIN. Yes, but he paid interest. The point I am getting at now is if you could do that, all of us in the South, tie the market up hard and fast, the price would go up so rapidly that it would take care of your interest.

Mr. THOMPSON. Oh, yes.

Senator HEFLIN. But the trouble is when these papers are coming due and speculators begin to cooperate together to beat down the price and you go to the bank to get money and can't get it, you have got to part with your cotton when it is 20 cents a pound, although it cost you 30, and you see an opportunity that you have to clean up that $50 a bale, but somebody else cleaned up besides you.

Mr. THOMPSON. Yes, sir; and sometimes the Agricultural Department sends out statements that here is a million or two bales more produced than really is produced.

Senator HEFLIN. Yes; and we ought to stop that.

Mr. THOMPSON. It scares the farmer to death and he goes and dumps it on the market for fear it is going down.

Senator HEFLIN. That broke the price; that inexcusable and indefensible estimate that was sent out reduced the price of cotton several dollars a bale, and it cost the farmers of the South millions and millions of dollars.

Mr. THOMPSON. The report sent out last fall cost us millions of dollars.

Senator HEFLIN. Yes.

Senator LADD. They don't help the farmer in the wheat-growing section either.

Senator HEFLIN. They ought to be put in the penitentiary, some of them. If we can establish the proof in connection with this speculating by wheat and cotton men, they ought to be sent to the penitentiary.

STATEMENT OF MR. E. F. McGRADY, AMERICAN FEDERATION OF LABOR, WASHINGTON.

Mr. MCGRADY. Mr. Chairman, the American Federation of Labor is and has been keenly interested in the welfare of the farmer, and we have from time to time conferred with representative groups of the farmers, and this week we have conferred with groups representing the Farmers' National Conference, the National Gleaners' Federation, the Farm Labor Union of America, and delegates from the States of Texas, Oklahoma, Arkansas, and Michigan, and also Iowa. At these conferences were representatives of organized labor. We are deeply interested in the success and welfare of the farmer, because it is very apparent to us that whatever misfortune might befall him eventually reflects to us. His success means greater prosperity for the industrial worker, and if he is in a bankrupt condition all the time, it means that he is not going to be able to buy those things that the industrial worker makes. On the other hand, organized labor feels that when we are prosperous the farmer is going to get prosperity because we are able to produce and we are able to buy a great deal more than we would be able to buy of the products of the farm when we are getting low wages or perhaps half-time work.

We have been puzzled at the great spread between the price the farmer gets for his products and what we have to pay for them in the city. Our men, our wives, have gone into the store to buy bread, to buy potatoes, or similar products, and the prices seem excessively high. They would ask why the price. They were told,

"Well, the farmers are all running around in automobiles, etc.," and the worker and his wife, not knowing the conditions, not knowing if that is true or not, believes it. On the other hand, the farmer goes into the store to buy shoes, or to buy clothes, and he finds the price excessively high, and he complains, and he asks about it, and they tell him it is labor—the high cost of labor.

We have had some figures presented to us, and we have been told that in 1922 the farmers of the country received for their crops $7,500,000,000. The consumer paid for those products $22,000,000,000. Somewhere in between somebody has collected something that we believe does not belong to them. They have not helped to produce it; they have not done any work on it or for it; yet they come in and the result is the farmer is not getting enough and we are paying too much. If it were possible to eliminate a lot of these speculators and commission men in between, the farmer, instead of getting $7,500,000,000, perhaps would get $15,000,000,000 and the workers would be able to save $7,000,000,000 from what they are now compelled to pay.

So that speaking for organized labor, I want to say we are deeply interested, and we are going to join hands with the farmers of America to see what can be done to better their condition. To be sure, we are not always quite clear as to what may be the best, but these great farm organizations have come here and in conference have said to us, "We want this Norris-Sinclair bill." I read that portion of the bill that says:

> It is hereby declared to be the object and purpose of this act to provide a market for the sale of agricultural products, and to eliminate as far as possible the commissions and charges that are exacted upon agricultural products from the time such products leave the producer until the same reach the consumer, and to thereby increase the price which the producer receives and to decrease the price which the consumer pays.

Mr. Chairman, I don't know that I have anything more to add, except that I wanted this committee to know, and I wanted Congress to know that the American Federation of Labor is not only deeply interested in the welfare of the farmer but we are going to act in conjunction with the farmer to try to make his condition better than it is at the present time.

The CHAIRMAN. Is there any question any member of the committee wants to ask?

I don't think, Mr. McGrady, you gave your residence.

Mr. MCGRADY. Washington, D. C. I am one of the legislative representatives of the Federation of Labor.

Senator HEFLIN. In what year did you say the farmer got $7,000,000,000?

Mr. MCGRADY. The figures were given to us for 1922.

Right in that connection, Senator Heflin, I want to say that we also had submitted to us the figures on the potato crop for 1922. We were told that there was raised and sold 451,000,000 bushels of potatoes, for which the farmer received $252,000,000, but for which the consumer had to pay $650,000,000. Those are the things that are interesting us.

The CHAIRMAN. So that it costs more to distribute the crop than it does to produce it.

Mr. MCGRADY. Absolutely.

Senator LADD. And there was no additional expense of manufacture in the cost of potatoes.

Mr. MCGRADY. Not a cent.

The CHAIRMAN. No. That cost or that difference would be made up by the profit of middlemen who handled it and freight?

Mr. MCGRADY. Yes. And I want to say that we are suffering from the same thing, the industrial workers. Take coal. I just came down from New England. They are paying anywhere from $16.50 to $18 a ton for anthracite, and they are explaining that high cost of coal by saying that it is due to the high cost of labor. The total labor cost for a ton of anthracite coal delivered on the cars is $2.40. Now, somewhere in between there somebody is taking a lot of profit. I understand there are four profits collected by people who do nothing.

Take neckties. The tie you are wearing there may have cost you a dollar or may have cost you $2 or might have cost you three and a half, I don't know, but the total labor cost on a necktie ranges between 7 and 10 cents.

Senator LADD. Take shoes. Do you know what shoes that are selling for $10 to $12 cost?

Mr. MCGRADY. The total labor cost on a pair of shoes which sells for around $12 is $1.40, and that is the top notch price.

Senator LADD. I saw some correspondence of a lady that paid $12 for a pair of shoes to the retail merchant. They broke out down on the side. She took them back to the merchant that sold them to her and complained, and he said he couldn't afford to make them good, because he made no profit. There happened to be attached to the tag she had when she bought them the name of the man he bought them from, the manufacturer. She sent the shoes direct to the manufacturer and protested that she had not been treated fairly. He wrote back and wanted to know what she paid for the shoes, and from whom she bought them, and he wrote back and said, "Those shoes I sold to him for $1.98, and the only additional expense he had was the freight, and I don't see why he should charge you $12."

Mr. MCGRADY. That can be duplicated perhaps a hundred times.

Senator HEFLIN. Just following up Senator Ladd's statement, the cost of that pair of shoes was what?

Mr. MCGRADY. The labor cost was $1.40 at top-notch prices.

Senator HEFLIN. What do you suppose would be the cost of the hide or skin used?

Mr. MCGRADY. I have not the slightest idea, Senator. But that same thing, Senator, is true of everything that we make, and that the farmer has to buy. Somebody puts in his hand and collects something. Everything that the farmer raises, before we have a chance to get it, somebody puts in their fist and pulls out something that does not belong to him. So that the organized workers gladly join with the farmers in support of the Norris-Sinclair bill.

Senator HEFLIN. What would you say the leather in a pair of shoes like Senator Ralston has on would cost?

Mr. MCGRADY. I don't know.

Senator HEFLIN. Maybe some of these gentlemen back here can tell us.

Mr. BROCK. Less than a dollar.
Senator HEFLIN. How much does a steer hide bring?
Mr. BROCK. Less than a dollar.
Senator HEFLIN. The ordinary steer hide will bring less than a dollar?
Mr. BROCK. Yes, sir.
Senator HEFLIN. Let that go in the record.
(At 12.45 o'clock p. m. a recess was taken until 2 o'clock p. m., at which time the committee proceeded to the consideration of the matter.)

PURCHASE AND SALE OF FARM PRODUCTS.

WEDNESDAY, JANUARY 16, 1924.

UNITED STATES SENATE.
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in room 324, Senate Office Building, Senator Charles L. McNary presiding.

Present: Senators NcNary (presiding), Capper, Keyes, Gooding, Ladd, Norbeck, McKinley, Ralston, and Johnson.

Senator MCNARY. The committee will come to order. Mr. Dorman, I believe you wanted to speak to the committee this morning.

STATEMENT OF MR. D. C. DORMAN, BILLINGS, MONT., ORGANIZER FOR THE FARMERS NONPARTISAN LEAGUE AND CONFERENCE FOR PROGRESSIVE POLITICAL ACTION FOR THE NORTHWEST TERRITORY, COMPRISING THE STATES OF MONTANA, WYOMING, IDAHO, WASHINGTON, AND OREGON.

Senator MCNARY. Give your name, address, and occupation.

Mr. DORMAN. With your permission, I would like to make a general settlement, and after I finish if any member of the committee has any questions to ask I would be very glad to answer them.

It is not my purpose or desire to give this committee any detailed information or statistics. You have had a great deal of this submitted already. I rather desire to give my observation of general conditions throughout this territory, also my conclusions as to our trouble and the remedy. I do not fear successful contradiction of the statement that the farmers in the Northwest are facing a crisis. I desire to enumerate some of the more serious effects of this very bad condition, some of which are not easily remedied, as they take root in the moral and spiritual life which is the substrata underlying the economic foundation of this Nation.

I find that thousands of farmers are leaving the farms, sometimes loading five and six children into an old Ford car, and leaving for parts unknown, becoming migratory workers. We have seen industrial workers in the past joining this army of unemployed, and wandering aimlessly over the country, but they did not attempt to take their families with them as these families are doing. This is to my mind very serious, as it instills into the children at a young and impressionable age, the spirit of the jungle, and possibly destroys the last hope that every true mother holds dear, that of having a safe haven for her young.

I have talked personally to many of those destitute families stopping at tourists' camps. Most of them were drifting to the Pacific coast. We could dwell on this phase of the question indefinitely, but we leave it to you to weigh its importance. What is almost as tragic, is the fact that we are making criminals out of many of those trying to remain on the land. Many of them are compelled to literally steal their own grain in order to feed their families. What I mean is this: They can not take a load of grain to their local elevator and sell it and get their flour or cash, owing to the fact that their crops were mortgaged before they were planted. This compels them to unlawfully dispose of a part of their grain at some elevator where they are not known, or get a neighbor to sell it for them.

Another serious situation is caused in the ranks of labor in the cities to which these families drift—they often become scabs or strikebreakers.

I stopped with a farmer over night in one of the fertile valleys north of Spokane. He told me that he had raised wheat, cabbage, beans, onions, etc., for years, and had delivered milk and cream to the station practically every day for the past 8 years, but was now worse off than when he started, that he and some 50 others in that valley had decided to go on a strike, and raise only what they needed, that they would raise no more for the market until something was done to stabilize the price. This feeling I find growing, especially in diversified areas, much more than among the specialized grain, fruit and stock-raising sections.

When farmers become discouraged and decide to live unto themselves as the diversified farmer is prepared to do, what is going to become of the business man, and those working in industrial centers? Bankruptcy is becoming a common practice. A number of farmers have learned that they can go through bankruptcy and possible salvage a few hundred dollars, and then buy back their own, or their neighbors' equipment for 10 cents on the $1.00, and by so doing unload the burden of debt and let the banker hold the sack. This in many cases causes banks to fail, further demoralizing the situation. These are a few phases of the general situation that I have not heard discussed before your committee, though possibly they have been.

I do not think it takes a Daniel to read the handwriting on the wall. The exploiting interests and grain gamblers have never in the past allowed the star of hope to disappear from the farmer's horizon. When a fallacy which they have held up to the farmer has been exploded, they immediately set up another. By this practice they have been able to keep the farmers working under wholly unjust conditions, always striving to make up their losses, by working harder and longer hours, and causing their wives and children to do likewise. This with the application of machinery has made it possible for them to continue up to the present, but it seems that they have now reached the end of that road.

Among these false hopes that have been set up as the farmer's salvation are such as making two blades of grass grow where one grew before, summer fallow, diversify, cooperate, none of which except the last can have any possible bearing on the solution of their problem, especially diversification. This is not only not a remedy, but is economically unsound. We will admit that diversification is permissible at this time, owing to the conditions, but it certainly can not be put forth as a remedy. On the other hand, cooperation is economically sound, but under present conditions, it will not work sufficiently to be considered in any sense a remedy. It can not possibly be brought about inside of 5 to 10 years.

Let me say that any great industrial plant that would attempt to carry out the idea of diversification instead of specializing would go bankrupt inside of six months. A man raises bees, for instance. He puts in all his time and best thought to bee culture. He is certainly more capable of producing quantity and quality than he would be if he attempted to divide his time and study between bee culture, stock raising, fruit growing, grain farming, poultry raising, and numerous other things in which he might engage, any one of which can only be partially mastered in a lifetime.

The man who specializes can organize and cooperate in the true sense of the word. The man who diversifies can not cooperate successfully. It is a true saying that those who try to cover everything as a rule touch nothing; besides, diversification makes the worst kind of slaves out of men and women who engage in it.

I want it clearly understood that in my judgment there is only one remedy—that is an adequate price for farm products. As to cooperation, to my mind the Standard Oil Co.—if changed in one respect—is the greatest cooperative organization in America. The only change necessary would be to cause their excess profits to be paid back in patronage, dividends payable at the time and the place the purchase is made. In other words, it need only to be changed in the distribution of its dividends. It is a great and valuable organization, and should not be otherwise disturbed.

As we have already said, cooperation as a remedy is at least 5 to 10 years away, and the agricultural patient can not possibly live that long, even with a liberal injection of morphine and other stimulants known as loans, diversification, etc.

In my judgment there is only one immediate and effective remedy so far offered, and that is the Norris-Sinclair marketing bill. It is true there are other similar measures, none of which are equal to the above-named bill. This bill I believe to be both workable and economically sound. In this connection I might add that I believe it is absolutely necessary in addition to have a fixed price on nonperishable basic farm products; that is, wheat, corn, and cotton.

I have heard a number of witnesses before this committee state that they were not asking for a fixed price on nonperishable products, but nothing else will put the farmers back on their farms. The Government should take all wheat offered at a fixed price based on the cost of production for the past three to five years, and that fixed price should be for a year in advance and be made known by the Government corporation each year before the end of the planting season. The Government should provide for the buying of the wheat offered at this price until they had accumulated a surplus—at least 600,000,000 bushels—or a year's supply. This amount the Government should be allowed to have on hand at all times. To accumulate a surplus of 600,000,000 bushels would take from three to five years and possibly much longer, depending upon the

ability of foreign markets to absorb our surplus. After a surplus of 600,000,000 bushels has been accumulated then the Government should reduce the price each year until the supply equals the demand. But the price must be fixed by the corporation and be made known a year in advance. Think of the farmers going to work in the spring with no knowledge of what they will receive for their labor. No officerholder or industrial worker would think of doing this. The market should never be broken, or the price of flour raised, or the children in the cities go hungry.

In the meantime, the farmers could file each year a statement with the local Government agent showing the amount of stored wheat in their possession. This would enable the Government marketing corporation to call on them for 5 or 10 or 20 per cent of their stored grain from time to time as the market would absorb it. We had better not export 1 bushel of grain than to destroy agriculture in this country by so doing. We had better loan our surplus wheat direct to the famine districts in Europe or issue currency against it, in order to hold it in storage, rather than sell it at such great sacrifice to the American farmer. Again, it would automatically solve the ridiculous situation of being hard up because we produce too much. It would be necessary to place a duty on wheat to cover this spread between the fixed price and the world market.

That the farmers want and demand this bill to be enacted into law is evidenced by the fact that they have been holding meetings throughout the Northwest and overwhelmingly voting in favor of this bill. I recall the three days' meeting at Billings, Mont., last spring, attended by representatives of the banks, business men, farmers, and organized labor from the Northwestern States, in which the condition of the farmers and the remedy was debated pro and con, with the result that they unanimously declared for the Norris-Sinclair marketing bill, also favoring price fixing as a part of this bill.

In conclusion, I wish to say the farmers are slowly getting together to squeeze out the unnecessary middlemen. They will be able to do this in time through cooperation if the Government will function just a little in their interest in the meantime. I do not pose as a prophet, but if this bill is not acted upon favorably it will be a leading issue in 1924, and those who stand in its way will have less chance to do so in the future than those who supported the Esch-Cummins law before the last campaign. This Congress must save agriculture.

Senator McNARY. Have you ever owned and operated a farm, Mr. Dorman?

Mr. DORMAN. Until I was 21 years of age I lived on a farm all my life.

Senator McKINLEY. Which are the famine-stricken districts of Europe now?

Mr. DORMAN. Well, using the word famine, there would not be any so described. Russia has been and others have been in years past, and probably will be again.

Senator McKINLEY. Well, but you are going to have us send this grain into the famine-stricken districts of Europe.

Mr. DORMAN. At such time as there are such districts and we have it in our possession.

Senator NORBECK. Mr. Chairman, may I ask this question?

What are the features of the Esch-Cummins Act that raised the rates that you spoke of?

Mr. DORMAN. The worst features are those that have relatively raised the rates to the farmers of the Northwest. That is one of them.

Senator NORBECK. How much raising of rates has there been since the passage of the Esch-Cummins Act?

Mr. DORMAN. Well, as I stated in the beginning, I am not prepared to give statistics or details to this committee that would be of any value to you.

Senator NORBECK. But approximately.

Mr. DORMAN. I am not able to say.

Senator NORBECK. Is it not a fact that the rates they are suffering from were in force before the passage of the Esch-Cummins Act?

Mr. DORMAN. I am not an authority on that.

Senator McNARY. Is there any other member of the committee that would like to ask Mr. Dorman any questions? If not, we thank you, Mr. Dorman.

STATEMENT OF MR. BENJAMIN C. MARSH, EXECUTIVE SECRETARY OF THE PEOPLE'S RECONSTRUCTION LEAGUE AND MANAGING DIRECTOR OF THE FARMERS' NATIONAL COUNCIL, WASHINGTON, D. C.

Senator McNARY. All right, Mr. Marsh. State your name and whom you represent.

Mr. MARSH. Benjamin C. Marsh. I am executive secretary of the People's Reconstruction League and managing director of the Farmers' National Council, with headquarters in the Bliss Building here.

I would say, Mr. Chairman and members of the committee that during the past summer I have talked in about 14 States, from Texas and Arkansas out to the Pacific coast, and have studied the condition of the farmers at first hand in so far as one can in talking with hundreds of them, probably thousands in the aggregate, and not only all the progressive farm organizations, but the labor organizations, the American Federation of Labor, the transportation group of railroad brotherhoods, the Amalgamated Clothing Workers, and others, have indorsed this measure because they realize the extreme seriousness of the farmers' condition, and that we are now getting the aftermath of the war.

This Norris-Sinclair bill can certainly be regarded in part as a war measure. The Government urged the farmers to extend their wheat acreage, and they did, and their cotton acreage and they did, and after the war was over the farmers, having incurred very heavy obligations at a fixed level of prices for farm products, suddenly, by executive fiat of the Federal Reserve Board, and I am sorry that I am obliged to add, under the control of the great financial interests, there was a drastic reductio nin credits, and the farmers were left with their fixed investment incurred during a period of high prices, and with their purchasing power reduced to roughly 50 or 60 per cent of what it was when the indebtedness was incurred.

We are urging the passage of this Norris-Sinclair bill not as a panacea, but as the only effective method of getting some efficiency

in our terribly wasteful and inefficient method of distributing staple farm products.

You probably have some of you seen the statement by a rather conservative gentleman, Mr. Yocum—I think he is president of the Southern Pacific; I am not sure, but he is president of one of the great railroads—in which he points out that conservative figures show that in 1922 the farmer's crop was worth to him, or he received for them, approximately seven and a half billion dollars, and the consumers paid twenty-two and a half billion.

Mr. W. W. Fitzwater, who was before you the other day, the national president of the Farm Labor Union of America, pointed out that he was wearing a cotton shirt which he bought in Texas this month and paid $2.50 for it, and for the cotton he raised—he is a large cotton grower—they get down in that neighborhood on the average around 20 to 22 cents a pound, or roughly $100 a bale, and that cotton shirt was selling at the rate of $5,000 per bale of cotton.

We are going to have other witnesses to point out to you that in every city of the United States bread can be sold at a good profit at 8 cents, and in some probably at 7 cents.

Senator McNARY. Per loaf?

Mr. MARSH. Per loaf; yes, sir.

Senator LADD. Per 1-pound loaf?

Mr. MARSH. One-pound loaf. Last Saturday I went to the market to get it cheaper and paid 11 cents a loaf for a 1-pound loaf of wheat bread, and 10 cents a loaf for a pound loaf of rye bread.

I want to get here a lieutenant colonel of the Army to point out how the Government—you have heard so much about its inefficiency—is manufacturing bread at a cost of around 4 cents, as I understand it, and I want also to get Mr. J. A. Whitfield, the president of the Old Dutch Market, here to point out to you how cheaply they are manufacturing bread, and to give you statistics as to how the consumption of wheat bread will increase with each drop of 1 cent in the price charged for bread. Those are detailed figures and I want to get the experts to testify to them, with the permission of the committee.

Senator McNARY. We will be glad to have them.

Mr. MARSH. As to the statement that we are overproducing wheat——

Senator RALSTON. Before you go to that question, may I ask a question?

Mr. MARSH. Yes, sir.

Senator RALSTON. I observed what you said about the price of the shirt and what it represents as to the price of a bale of cotton. Your statement implies that there is a grievous wrong in that situation. What is your remedy?

Mr. MARSH. Our remedy at this juncture is to create this marketing corporation through which the cotton growers can sell their cotton here and abroad.

Senator RALSTON. So as to enable the consumer to have a cheaper shirt?

Mr. MARSH. Yes. And then one of the great features of this bill is the provision, if I may read it:

> It is hereby declared to be the object and purpose of this act to provide a market for the sale of agricultural products and to eliminate as far as possible the commissions and charges that are exacted upon agricultural products from the time such products leave the producer until the same reach the consumer, and to thereby increase the price which the producer received and decrease the price which the consumer pays.

So that this corporation, Senator Ralston, would have the power, as we construe this bill, to investigate where the terrible loss comes in or waste comes in between the producer of cotton and, answering your specific question, the consumer of cotton in the form of shirts or other household linen wear, etc.

Senator RALSTON. Suppose you locate it; what are you going to do to reduce the price of cotton shirts to the American consumers?

Mr. MARSH. One great factor in securing economic justice is publicity and information as to the facts.

Senator RALSTON. That will take place in having notice given that they are very rich, and growing richer, but that does not eliminate them.

Mr. MARSH. But I have very seldom found people who are so vastly rich that they want to blow in all their money on $5 shirts or $2.50 shirts when they ought to be able to get them for 50 cents to 75 cents.

I will just finish this one question, and then I am going to yield to Mr. Browne, with your permission, Mr. Chairman, to return later myself.

The Farm Labor Union of America has as part of its program—but it is not involved in this bill at all—to establish State and municipal bleacheries and cotton factories right down there in the South, near where the cotton is raised. In other words, they are looking to efficiency—the manufacture of the raw product just as near the place where the product is produced as possible.

Senator RALSTON. You understand I am not taking exception to your testimony?

Mr. MARSH. Not at all.

Senator RALSTON. What I am trying to ascertain is what remedy you have to suggest.

Mr. MARSH. I appreciate your question was entirely sympathetic, and I would like to answer this other matter a little later, but may I now yield to Mr. Browne, Mr. Chairman?

Senator McNARY. Yes.

Mr. MARSH. With further reference to the relation between overproduction and underconsumption, I would point out that the best way and the most important way to secure increased consumption of staple farm products in the United States is probably, and I think certainly, to increase the consuming power of the American people by reducing the price and maintaining a high wage scale for labor and also to supplement that by trying to get more foreign markets for our surplus of wheat or any other staple farm products, such as cotton, that can not be entirely consumed here.

I want to point out the fact that from 1918 to 1920 the domestic consumption of wheat in the United States fell per capita from 6.9 bushels to 4.6 bushels, or a reduction of exactly one-third, or approximately 230,000,000 bushels reduction in one year.

Senator GOODING. Where did you get those figures?

Mr. MARSH. Those were the figures reported by the Department of Agriculture, and they are, I think, quite accurate. I thought I would try to quote almost entirely Government figures.

Now, I want to go back to this question as to the situation of the farmers. It is primarily a humane proposition. We are told that there are too many farmers in the United States. Mr. Roger W. Babson says that there are approximately one-third too many farmers in the United States. We are going on the assumption that this humane Government is to put one farmer out of every three up against a stone wall and say, "We are not going to shoot you, but we have got too many farmers, and we are going to freeze you out."

The Government's policy in the past has been to encourage people to go on the farm, and last summer, when I secured a letter from Washington State giving a pathetic story from a farmer, that they were threatening to foreclose his mortgage because he could not pay the interest on his loan that he got from the farm loan system, I asked an official of the Federal Farm Loan Board what they would do, and he said, "Well, now, we are going to be as lenient as we can, but the main thing to consider is the bond, and we have loaned very conservatively only about 50 per cent of the value of that farm, that is, of the land, not including the value of the improvements and one-fifth on the improvement value," and he said "Even if we had to close these farmers out the bondholders are safe, because the farm will sell for the face of the mortgage."

"Well," I said, "What about the farmer?" His reply was that he was sorry for the farmer. I think he had occasion to be sorry for the farmer, and I am not prepared to say that it is not possible that we may have a few inefficient farmers. I think undoubtedly there are some inefficient farmers, but I do not doubt that nearly every business has at least from 25 to 45 per cent inefficiency, but I do doubt whether it is true that we have too many farmers in the United States to-day, particularly when we view the demand for the abolition or repeal of the restriction on immigration.

The outstanding fact is this, that we have developed the country very rapidly, but that we could consume most of the farm products which we produce in the United States and maintain the present farmers, the proof being the fact that the domestic consumers of farm products are to-day paying about three times as much as the farmers are getting therefor, and that those consumers of farm products, at the prices now of farm products, are paying enough to assure every farmer now on the farm full cost of production—I mean reasonable cost of production—and a fair profit, and to pay all necessary costs of transportation and distribution.

We have been told that the solution for this situation is farmers' cooperative marketing, and I want to point out to the members of this committee that that is not sufficient. There is not a single farmers' cooperative commodity marketing association handling any staple farm products raised over a large area which for any long period of time—I except, of course, war times—has been able to get the farmers anywhere near the cost of production. I am sure my friend, Senator Johnson, will concur in that. They have helped them to get more than they otherwise would have gotten, and it has been a great help, but the fact remains that the individual farmers' cooperatives can not compete against the great financial interests of this country.

Senator RALSTON. Now, Mr. Chairman, he is on a very important subject here, and I take it will take some time to get through with it. It is within a few minutes of the time of meeting of the Senate. Had we not better take that up later?

Mr. MARSH. I want to show how these farmers' cooperatives fit in with the Norris-Sinclair bill.

(The committee thereupon adjourned until 10:30 o'clock a. m. Thursday, January 17, 1924.)

(The following statement by Mr. Marsh was made on Friday, January 18, and is incorporated in the hearings at this point by order of the chairman.)

Mr. MARSH. Mr. Chairman, I was discussing, when I left off, the feasibility or possibility of having staple farm products handled by farmers' cooperatives, and wanted to point out what had happened, and why that alone is not feasible.

There has been several very important and rather widely heralded efforts to market staple farm products through farmers' cooperatives, and it appears that the movement has been largely corralled by certain interests. I asked the War Finance Corporation to send me a statement of the total loans made to cooperative marketing associations up to October 25, 1923, and I was interested to observe that out of the total as submitted to me of $202,589,000 of approvals made by the War Finance Corporation up to date of October 25, 1923, approximately two-thirds of the approvals had been made to the farmers' cooperatives, for which Mr. Aaron Sapiro, in testifying before the House Committee on Banking and Currency on February 9, 1923, stated that he was counsel. In other words, here is one man, Aaron Sapiro, who is publicly opposed to the Norris-Sinclair bill, who has been able to arrange it so that the cooperative organizations for which he is counsel have gotten approximately two-thirds, as far as the records go, and maybe considerably more, of the total approvals to cooperative marketing associations made by the War Finance Corporation.

The situation, it seems to me, justifies this statement, which I want to emphasize, in view of the fact that there has been a good deal of discussion of the success or lack of success of farmers in organizing cooperative marketing associations, and that is that they have never yet been able for any length of time to secure for the farmers a fair price for their product for any staple farm commodity, but I think we will all agree, and I think it was partly your purpose, Senator Norris, in drafting your bill, to so draft it that the Government could work in purchasing of staple farm products through the farmers' cooperative organizations, not by any means as a substitute, as I understand, for the farmers' cooperative marketing organization, but, of course, it means efficiency if the marketing of these staple farm products abroad at least can be effected through one central agency, to wit, the Government.

I also want to point out that your bill—the Norris bill—provides that the corporation can loan money to any farmers' cooperative association if they elect to secure loans from the corporation instead of attempting to sell directly to the Government corporation. I don't know whether there has been put into the record this release of the Department of Agriculture of January 9, 1924, on farm foreclosures and bankruptcies since 1920, in which the statement is made that

more than 8½ per cent of the owner farmers in 15 corn and wheat producing States lost their farms with or without legal process between 1920 and 1923. It is a brief statement, and I think it would be very valuable to have it incorporated in the record if it would be agreeable to you.

The CHAIRMAN. All right.

(The statement referred to is here printed in full, as follows:)

FARM FORECLOSURES AND BANKRUPTCIES SINCE 1920.

More than 8½ per cent of the owner-farmers in 15 corn and wheat producing States lost their farms with or without legal process between 1920 and the spring of 1923, the United States Department of Agriculture has learned through a special inquiry to which 2,400 farmers in the upper Mississippi Valley replied. In addition, more than 15 per cent of the owners were in fact temporarily insolvent, but held on through the leniency of creditors.

The 2,400 farmers, each reporting for a specified area, made returns on 69,000 owner-farmers. It was shown that of these owner-farmers 2,800 lost their farms through foreclosure or bankruptcy; 3,000 lost their farms without legal process, and 10,400 farmers held on through the leniency of creditors.

Of 26,000 tenant-farmers in the areas covered, 1,900, or more than 7 per cent, lost their property through formal proceedings; 2,000, or more than 7 per cent went under without legal formality; and 5,500, or more than 21 per cent, were spared such losses only through the leniency of creditors.

Applying the percentages of losses obtained in the inquiry to the 1920 census figures for owners and tenants in the States covered, it is estimated that out of a total of 2,289,000 owner and tenant farmers, more than 108,000 lost their farms or other property through foreclosure or bankruptcy; over 122,000 lost their property without legal proceedings, and nearly 373,000 retained their property through the leniency of creditors.

It appears from the inquiry that of the owner-farmers who had lost their farms, more than 43,000 experienced such loss as the result of purchase of their farms or of other farm land during the land-boom period, whereas nearly 11,000 of all owner and tenant farmers in the 15 States lost their property as the result of unwise investments in enterprises other than farming.

The losses of farms by owners were relatively more numerous in Montana, North Dakota, Colorado, and South Dakota, and less numerous in the east North-Central States. Losses of property by tenants were also relatively more numerous in the Western States covered by the reports.

Mr. MARSH. I would think that this statement in this release of the Department of Agriculture ought to be investigated:

It appears from the inquiry that of the owner farmers who had lost their farms more than 43,000 experienced such loss as the result of purchase of their farms or of other farm lands during the land boom period, whereas nearly 11,000 of all owner and tenant farmers in the 15 States lost their property as the result of unwise investments in enterprises other than farming.

That is a matter which it seems to me ought to be investigated, because I don't know what evidence the Department of Agriculture has that farmers have gone and lost money in other enterprises than farming. It seems to me that they have had ample opportunity to lose all that is possible in farming, and I can not imagine that any of them have gone afield to seek other methods of going in debt or losing whatever property they might have.

The CHAIRMAN. Your theory is that any farmer who could not lose enough money in farming and had to go into something else to lose it must have had something the matter with him?

Mr. MARSH. The farmer who did not realize that the best way in the world to lose money was through farming had something wrong with him.

I think, frankly, it is a rather evasive statement on the part of the Department of Agriculture that the farmers have sought other means of losing money, and I think——

The CHAIRMAN. I don't want to interfere with your presentation of your ideas, but do you intend to get back again to this statement about the loaning of money by the War Finance Corporation to cooperatives? If you do not, I would like to ask you some questions about it now.

Mr. MARSH. I would be glad to have you ask them.

The CHAIRMAN. Did you, in making your inquiry of the department, make a list of the cooperatives and the amount loaned to cooperatives?

Mr. MARSH. This is the list which they gave to me.

Senator GOODING. Is that War Finance now?

The CHAIRMAN. Yes; we are talking about the War Finance Corporation. Mr. Marsh has referred to the report, but he gave the totals only.

Now, is this list that you have here what they gave you?

Mr. MARSH. That is what they gave me, and could I incorporate, in answer to your question, this statement of Aaron Sapiro as to what organizations he is counsel for? I don't want you to take my word for it, but I want you to take Mr. Sapiro's own statement of what organizations he is counsel for, as made in this committee report of the House Committee on Banking and Currency. I would like to have this list incorporated in the record.

The CHAIRMAN. I want this list in the record. I have been intending to get that information myself.

(The statement of Mr. Sapiro, referred to, is here printed in full, as follows:)

Mr. SAPIRO. First, I should identify myself. My name is Aaron Sapiro; residence, San Francisco.

In making these points I appear as counsel for the executive committee of the National Council of Farmers' Cooperative Marketing Associations, which met here in December and is now arranging its own permanent organization. That includes approximately 870,000 farmers in various cooperative activities.

Then I am here as direct counsel for the American Cotton Growers' Exchange, which is comprised of cotton associations in the States of Texas, Arkansas, Oklahoma, Mississippi, Louisiana, Georgia, Alabama, North Carolina, and South Carolina, with a total membership of approximately 190,000 farmers.

Likewise as counsel for the rice growers' associations in Arkansas and Louisiana, with a total membership of approximately 6,000.

Likewise the wheat associations in Oklahoma, Texas, and Colorado, with a membership of approximately 8,000.

And tobacco associations: The Burley Association in Kentucky, Tennessee, Ohio, Virginia, and West Virginia; the Bright Tobacco Association of Virginia, North Carolina, and South Carolina; and the Dark Cooperative Tobacco Associations of Kentucky, Tennessee, and Indiana; the Connecticut Valley Tobacco Association in Connecticut and Massachusetts; the Northern Wisconsin Cooperative Tobacco Pool in Wisconsin, which have a membership of approximately 23,000 members.

Likewise for potato organizations in Texas and some of the other Southern States, and we are now organizing in Maine.

Likewise dried-vegetable and fruit associations, stretching from California and including New York, with a total membership of approximately 100,000.

For the Poultry Producers' Association in California and on the Pacific coast, chiefly the associations of central California; and the Pacific Egg Producers, including approximately 22,000 members; for dairy groups stretching from California to Texas and Illinois, including approximately 20,000 in those groups.

The Wool Association in Texas.

And then, as organizing counsel for a group of other wheat and other types of associations throughout the United States.

I wanted to make clear the viewpoint to which I spoke.

The CHAIRMAN. This statement here gives an itemized list, together with the amount of each loan made by the War Finance Corporation to these various associations?

Mr. MARSH. That is, approvals; not actual loans.

The CHAIRMAN. There is a big difference there between an approval and what they actually loaned.

Mr. MARSH. I asked them what they loaned, and they said they could not give me that, but they could give me the approvals.

The CHAIRMAN. I take it from that that they have loaned them.

Mr. MARSH. I think they have ordered them.

The CHAIRMAN. They were called on to make the loan, otherwise they would not have approved it.

Senator GOODING. They may not have gotten through with all the machinery, but they can be called a loan, and I think it is probable we can accept it that the loan has been made if it has been approved.

The CHAIRMAN. That is my assumption; and if it is not right, I would like to know it. I assume when they approve a loan they make a loan.

Senator GOODING. As soon as they can reach it.

Mr. MARSH. That is the intention.

The CHAIRMAN. Oh, yes. They might not do it that day, but there would be no use approving it if they did not loan it.

Mr. MARSH. Particularly I think that would be valuable, Senator Norris, because you will see that a large loan was made to the Texas Farm Bureau Cotton Association; and that association, I learned when I was in Texas last June and in July and in December, is suing the farmers for $5,000,000 for selling some of their cotton outside of the pool.

The CHAIRMAN. This loan, according to this list, made to the Texas Farm Bureau Cotton Association, was for $19,000,000. Is Sapiro attorney for that association?

Mr. MARSH. Yes, sir.

The CHAIRMAN. Put in the record the list, if you have it there.

Mr. MARSH. I have it right here and will put it in the record.

(The list referred to is here printed in full, as follows:)

[Prepared by Mr. Cooksey of the War Finance Corporation at the request of Benjamin C. Marsh, managing director The Farmers' National Council.]

Approvals to cooperative marketing associations to October 5, 1923.

California Cooperative Canneries	$700,000
Alabama Cotton Growers Association	100,000
Alabama Far Bureau Cotton Association	3,000,000
Arizona Pimacotton Growers Association	2,400,000
Arkansas Cotton Growers Cooperative Association	7,500,000
Arkansas Farmers Union Cotton Growers Cooperative Association	1,000,000
Georgia Cooperative Cotton Growers Association	5,000,000
North Carolina Cotton Growers Association	10,000,000
Oklahoma Cotton Growers Cooperative Association	12,000,000
South Carolina Cotton Growers Association	15,000,000
Staple Cotton Cooperative Association	13,000,000
Texas Farm Bureau Cotton Association	19,000,000
California Prune & Apricot Growers	1,250,000

Equity Cooperative Association	$15,000,000
Idaho Wheat Growers Association	3,000,000
Kansas Wheat Growers Association	2,500,000
Montana Wheat Growers Association	2,500,000
North Dakota Wheat Growers Association	5,000,000
Oklahoma Wheat Growers Association	2,500,000
Oregon Cooperative Grain Growers	1,500,000
Texas Wheat Growers Association	500,000
Washington Wheat Growers Association	8,000,000
Elephant Butte Alfalfa Association	200,000
Texas Hay Association	60,000
Peanut Growers Exchange (Inc.)	2,044,634
Arkansas Rice Growers Cooperative Association	5,750,000
California Rice Growers Association	5,500,000
Louisiana Farm Bureau Rice Growers Cooperative Association	2,000,000
Egyptian Seed Growers Exchange	50,000
Cane Growers Cooperative Association	35,000
Burley Tobacco Growers Cooperative Association	15,000,000
Dark Tobacco Growers Cooperative Association	11,500,000
Tobacco Growers Cooperative Association	30,000,000
Total	$202,589,634

Includes $5,262,183.90 approved under section 21, and $1,500,000 approved October 3, 1923.

Mr. MARSH. Mr. Sapiro, of course, is not entirely personally disinterested. He got, according to the Iowa Homestead, the modest fee of $30,000 for three week's work in organizing one of these tobacco associations. That is at the rate of $520,000 a year, which is almost as much as a Senator gets.

The CHAIRMAN. Have you any other evidence there as to the total amount Mr. Sapiro has gotten from these various associations as attorney?

Mr. MARSH. No. I think the only way you could get that would be through that amendment to the revenue law requiring publicity as to incomes.

But I say it was only at that rate that Mr. Sapiro was paid on this occasion. He is too modest to tell what he is getting.

The CHAIRMAN. I only know what I have read in the press and and in conversation with some other people who are reasonably well posted, I think, on cooperative organizations, but I understand, from recent developments in the Farm Bureau Association, that Mr. Sapiro's services as attorney were dispensed with.

Mr. MARSH. Yes, at their last meeting, I understand, at Chicago, in December, they terminated their arrangement with Mr. Sapiro. Their membership, or a lot of them, were opposed to the methods of Mr. Sapiro; also they realized that they were not accomplishing the desired end, that is, getting a fair price for their product. Of course, I except some fruit associations, which are rather local in their nature, but the Raisin Growers' Association nearly went on the rocks about a year or so ago, and were saved by being reorganized by the bankers.

These organizations for which Mr. Sapiro is counsel, or their members, are tied up in most of the organizations, for a period of five to seven years. As I stated, they are suing the Texas cotton growers for $5,000,000.

In North Carolina, as I understand, and in Virginia, they are not only suing, but they are jailing some of them for selling their stuff outside of the tobacco association; for selling their products outside

of their pool, in their effort to get a fair price, and I think an investigation by this committee of the activities and methods of these cooperative marketing associations of farmers would be very important. This group of farmers we had here last week, from five or six cotton and six wheat growing states, urged that investigation.

The CHAIRMAN. Mr. Marsh, we want to be fair with these associations, and with some, at least, of those associations which have been very successful, it is claimed that one of the things absolutely necessary is to legalize the contract between the association and its members by which they are compelled to patronize the association, otherwise the association is subject to unfair competition by dealers who want to put the association out of business, and who start in by paying a high price, even though they temporarily lose money, to the members of the association, in order to take them away from the association, and in that way they succeed in killing the association. I think that is the theory, perhaps, down there, that they have that kind of a contract and these members of the Texas association violated it and sold out. Of course, an association, in order to be successful, must have the business of its members.

Mr. MARSH. Sure. But my point is this: Because of the very extensive powers which the corporation has under the laws, many of which were put through by the efforts of Mr. Sapiro, it seems to me that the Government certainly has a public interest in seeing that they are honestly and efficiently conducted.

The CHAIRMAN. Yes; I agree with you, and I am not trying to make a defense.

Mr. MARSH. Oh, I understand that.

The CHAIRMAN. I don't profess to know, because they are not here, and I am only injecting these remarks in order to call your attention to what it seems to me in some form must be necessary to sustain the cooperative organizations. It is the old method of a trust to break up competition by underselling, even though they lose money, and when they drive competition out of business they recoup their losses by the advantage they have of having a monopoly.

Senator GOODING. That is the only reason I think the cooperatives have not been a success; they have had the biggest forces in this country to fight, which have destroyed most of them up to the present time.

The CHAIRMAN. I was, of course, dumbfounded at the news items I have seen in various papers of the enormous fees Mr. Sapiro charges. I don't believe there is any man who is worth $50,000 or $60,000 a year, and if the cooperatives start out by paying such exorbitant overhead charges they are going to lose out. The history of cooperatives in Europe, in Denmark, particularly, where they are as successful as anywhere in the world, shows that they do not pay any such salaries, and to say that in order to get men that are competent, as they claim Mr. Sapiro is, we have got to pay $50,000 to $60,000 a year, it seems to me is fallacious.

Mr. MARSH. If I may add on that point, take the Farm Labor Union of America, whose president was here before you; they have this stipulation, that when they get a certain percentage of the farmers as members of the State organization they are going to put into effect a provision that the acreage shall be restricted within the

borders of the State, but instead of having any legal action against the men who have planted in excess of the area allotted—that is, if the man does not conform with the restriction—he has to turn into the treasury of the National Farm Labor Union of America all the product from the excess of acreage over the area allotted to him.

The CHAIRMAN. Suppose he does not do that; how are they going to enforce it?

Mr. MARSH. Then they can expel him him from the organization, and he loses all his advantage; but they don't allow them to sue him. They are not having much trouble, because they have got the feeling of loyalty among their members. I realize that you have got to have some control over them, and when——

The CHAIRMAN (interposing). Now, I remember the testimony of Sir Horace Plunket, who was the originator, I think, of cooperative organizations in Ireland. He gave a history of it and the terrible difficulties that they had. I remember he said that he went out and organized cooperative creameries in Ireland that afterwards became almost models of the world on account of their success; that he delivered 50 addresses before he ever succeeded in getting a single farmer to sign up in organizing a creamery association, and he said that one of the things prior to that time that had killed all progress, was the fact that the speculators, when they got an organization on its feet and in good shape, would come into the community and buy cream at prices that were away above the market, take all their customers away, and the creamery would go broke, and they could not operate. Immediately when the creamery got down to where it amounted to nothing they would probably buy it for a song, and then the prices went up and they had a monopoly of it and did as they pleased. He said that was one of the things—not the only thing, but one of the things—that were necessary. It seems to me that is true. I don't see how we can get away from that.

Senator CAPPER. That has happened in every cooperative movement that was ever attempted in the State of Kansas—that the outsider, the middleman, has attempted to undermine the cooperatives by such methods.

The CHAIRMAN. It is the same old complaint that was made against the Standard Oil Co.—that it put all opposition out of business—years ago.

Senator GOODING. That is to be expected. You are destroying their business.

The CHAIRMAN. Why, sure.

Senator GOODING. And unless the farmers get into an organization in which they are forced by some statute to live up to a contract the same as they do to any other contract, then the cooperative must fail, and it has failed very largely because they have not been able to hold the farmers.

Mr. MARSH. I would like to point out, if I may, that the Queensland Wheat Association, which is a Government agency, has a board controlled by the farmers, but with the Government paying a certain price they do have compulsory pooling—that is, they all have to agree to sell wheat to this association, and they have penalties for noncompliance. But, then, they are a labor government, and I regret to be forced to state that the majority of farmers in the United

States do not always trust what we are pleased to call the government of the people, by the people, and for the people, up to this time. We have got to take the actual situation, and I believe until we establish some government agency like your proposed marketing corporation, Senator Norris, to afford the farmers a fair price that we are not going to escape the difficulties which we know exist in the private cooperative organizations of farmers.

The CHAIRMAN. I think that is true, Mr. Marsh. My idea in that bill was that if any other agency wants to come along and pay a bigger price let them pay it and let them have the stuff.

Mr. MARSH. And the farmer gets it?

The CHAIRMAN. And the benefit of it. It doesn't hurt that corporation, because it is the Government itself, and it is there for the purpose of helping the farmer to get a price for his products, and they can't put that out of business. If it does not do any business at all, if it compels these other fellows to pay the price, it has accomplished one of its objects.

Mr. MARSH. And the essential object.

The CHAIRMAN. Well, I had two objects in view. I have said all along I don't want to be unfair to the consumer, and I think that we don't want to do anything that would bring about a combination of producers by which they would arbitrarily raise the price without considering the consumer. My idea was to work for the consumer as well as the producer.

Mr. MARSH. Yes, sir. I meant speaking from the farmer's standpoint.

I might say just this morning before the Committee on Agriculture of the House of Representatives are appearing representatives of the four transportation or railway brotherhoods, the international president of the brotherhood of electrical workers, Mr. James P. Noonan, and Mr. Edward F. McGrady, representing the American Federation of Labor, who was before your committee. So labor is practically unanimously back of this bill, recognizing that the farmers are bankrupt to-day and that labor stands, with respect to its standard of living, I would say, almost in as much jeopardy in the next two or three years as the farmers actually stand to-day.

I don't mean to say the producers ought to be protected at the expense of the consumer. The purpose of your bill, as I understand it, is to cut out the unnecessary middleman, and not only allow the producer to get a fair amount, but to permit the consumers to get what they are entitled to. I think that is one of the very essential points that is often overlooked. The consumers of farm products in the United States are paying enough for those farm products to pay all the legitimate costs of transportation, marketing, and so forth, to give the farmer cost of production plus a reasonable profit.

The CHAIRMAN. My own idea is he is paying too much. He is paying more than that.

Mr. MARSH. I understand that it is not the purpose of this committee to give any consideration at this time to the bill introduced by Senator McNary which brought in the plan for an export corporation.

The CHAIRMAN. I think we will take that up just as soon as we can, but of course we can not take up two things at once.

Mr. MARSH. I would like to appear on that and analyze it.

The CHAIRMAN. We would be glad to have you.

Mr. MARSH. But I would like to point out that the Norris-Sinclair bill—and I use the two names because that is familiar to the farmers and wage earners of the country—that your bill, Mr. Chairman, creates the only practical machinery to export certain farm products economically. That is very important, but the big fact is this, that if you have simply an export corporation, though it might help, still as long as you leave speculative interests in control, as they are to-day, of the marketing of farm products, both staple farm products and vegetables and so forth, you are not protecting either the farmers or the consumers in the United States. A careful analysis of the McNary bill fails to show me, and I want to be fair, of course, how it protects even the farmer at home, to say nothing of the consumer at home.

Now, we have got to export some surplus. The question comes, How shall we do it and who shall be responsible for any loss incurred in the export of farm products; or, putting it otherwise, if a certain amount of wheat and cotton or any other farm product is exported and sold abroad by the marketing corporation named in your bill at a lower price than the cost of production here in the United States, or at a lower price than is paid by the corporation for what is consumed in the United States, who is to bear that loss? I can conceive of a situation in which the Government, particularly in wheat and cotton, in selling abroad might be obliged to sell such a large proportion of the domestic product at so much lower a price than the American price that rebating the loss back upon the farmers who produced it in the United States might be a workable proposition, and it does seem to me that it is not fair to start out and say, "We are going to make the farmer bear the loss on the export part of his product."

I don't know that that would be the situation, but I think it would be pretty unfair to have that assumption that that is going to be done, because if the Government does that—says "Now, Mr. Farmer, we are going to put so much money into your pockets for your crops, but, if you please, we expect to sell enough abroad at a big loss so that we are just going to take enough out of your pockets to make up the loss on the exports, so that you are no better off in 1925 and 1926 than you were in 1922 and 1923."

The CHAIRMAN. You are discussing the McNary bill?

Mr. MARSH. I am stressing the very great advantage of your bill over the McNary bill. I am not touching the McNary bill except inferentially. As I understand your bill, you leave that as a matter of policy to be adopted by the corporation.

Senator GOODING. You are making a comparison, Mr. Marsh, between the two bills?

Mr. MARSH. If you wish to put it that way, but I am pointing out, it seems to me, that Senator Norris's bill is drafted from the viewpoint of the farmer, and there I stop, and that he is the one chiefly to be considered; that is, not omitting the consumer of farm products.

I would like to quote from the Secretary of Agriculture's confidential report on wheat, but it was in the paper, and I am sure it is not confidential. Particularly I want to refer to two statements that struck me as very interesting.

On pages 67 and 68 of this report to the President, Mr. Wallace says:

> Although wheat prices have dropped to pre-war levels, prices of manufactured commodities and of services remain high. The costs which enter into the production and marketing of wheat are so high that, at present prices for wheat, the farmer can not continue to pay them and remain in business. Taxes, machinery, wages, freight rates, and prices of food and clothing are out of proportion to the price of wheat and the earnings of the wheat farmer.

Then, on page 71 he discusses diversification, and he makes this striking statement:

> Undoubtedly diversification will result, from careful thought on this subject, in many of the States where the surplus wheat acreage is found. On the other hand, in those regions where wheat is grown as a part of a diversified system of farming, it may be that even at the present price it is more profitable than any alternative crop.

In other words, Mr. Wallace says the farmers are not getting enough for wheat now, but if they go into diversification, which Mr. Wallace is advocating, then Mr. Wallace says it may be that at the present price, which is busting the wheat grower, wheat is a more profitable crop than any other.

I submit to you that is a rather pesimistic outlook for the Secretary of Agriculture to propose to the farmers of this country. It tells the farmers simply that they are doomed to bankruptcy.

Senator GOODING. Don't you think with the present cost of production that the farmer in almost every line of agriculture has got a hard job to carry on?

Mr. MARSH. I quite agree with you. I am not disputing that. In fact, I would go a little further. I would say if he can't even pay his debts he is bankrupt. Of course we have not assumed to put into your records this statement of the Department of Agriculture issued on December 17 of the total value of farm products, but I would like to read two or three items, because they just bear on this subject directly.

For 1923 the total production of corn was 3,054,000,000 bushels, and the per unit price—that is, the farm value December 1 per bushel of corn was 72.7 cents.

You know what that means.

Of all wheat the production in 1923 was 785,000,000 bushels in round figures. The farm value per bushel of wheat was 92.3 cents, and the total value $725,000,000.

On cotton. The cotton crop was 10,081,000 bales, and the per pound value December 1 on the farm was 31 cents; total value, $1,563,000,000.

The value of all crops was given by the Secretary of Agriculture for 1923 as $8,322,695,000.

I made a little bit of an analysis of what it cost the farmers to produce these crops, which, it seems to me, makes it clear that they ran behind, if you allow them anything like a decent labor return for the work of the farmer and his wife and children—and the wife and children have worked for nothing in all the history of farming, around $5,000,000,000 last year. I don't know whether you want to give time to this or not. I have been unable to ascertain, I want to say frankly, from the Department of Agriculture or anywhere else any even approximate estimate of the value of hogs, sheep, and livestock sold off the farms in the United States last

year. I have asked the bureaus in charge in the Agricultural Department, and they can not give them. But just take these figures. The total long-term indebtedness against farm values in the United States is reported to be about $8,000,000,000. In the last census——

The CHAIRMAN. That does not include near all the indebtedness, does it?

Mr. MARSH. No; this is long term. The short term is $5,000,000,000 in addition, making a total of about $13,000,000,000.

The last census gives the total value of farm property as $78,000,000,000.

Now, taking the long term indebtedness and allowing 6 per cent on $70,000,000,000, it gives $4,200,000,000, then if you allow the interest on the mortgaged and temporary indebtedness of the farmers, amounting to $13,000,000,000, which I think averages 9 per cent, you have got $1,170,000,000. I put fertilizers down at $300,000,000. In 1919 they paid $326,000,000. I think that is about accurate. Around $300,000,000. I have got it only approximately. Then I figured, for nearly $80,000,000,000 investment, an average of about 2 per cent tax, plus all the other taxes the farmer has paid, that their total tax bill must be roughly $2,000,000,000. That is only a quarter of the total annual cost of Federal, State, and local Goverment.

Then the farmers in 1919 paid for labor, both in crops and cash, about a billion and a third. I put it down at $1,000,000,000. They paid an enormous amount for feed. It was nearly $1,100,000,000 in 1919. I reduced it to $1,000,000,000. And seed, $250,000,000. That is an estimate. The total of that comes to $9,920,000,000 without paying a penny to the farmer or his wife and children for the work which they do on the farm. The total which they got for their crops, as I read you the figures from the Department of Agriculture, was $8,322,000,000, to which should be added what they got for livestock, and if you put that down at a billion and a half, or a billion and three-quarters, on which, as I told you there are no figures available, it makes a total of about $10,000,000,000 which farmers received for the output of their farms. Their expenses, without any allowance for labor, were approximately the same as the total price which they got, and the farmer and his wife and children worked for nothing. Say there were 6,200,000, families on the farms, and allow only $800 a year for the work of the farmer, the mother, and the children, and that is $4,960,000,000 the amount that the farmers ran behind the game. I would say it was at least $5,000,000,000 last year on the basis on which any other business is conducted, on any reasonable basis.

Now, I said, in starting, that I regard this measure——

Senator JOHNSON. Before you go any further, pardon me, but maybe I misunderstood you. How much did you put down there for seed? Did you have $250,000,000 for seed?

Mr. MARSH. I have got $250,000,000, and I think that is probably low.

Senator JOHNSON. It seems to me that is too high.

Mr. MARSH. I don't know. They select the best sort of seed, and when you realize——

Senator JOHNSON. Yes; but how in the world can you figure that it is $250,000,000? Well, you mean for all kinds?

Mr. MARSH. Yes.

The CHAIRMAN. Senator, I don't think that is too high.

Senator JOHNSON. Maybe it is not too high, but still maybe it is.

Mr. MARSH. I think it is low.

The CHAIRMAN. Yes.

Senator JOHNSON. For wheat it is too high.

Mr. MARSH. Even this, Mr. Chairman, to be conservative, I have taken off 10 per cent.

The CHAIRMAN. I think, Senator Johnson, wheat would come to pretty near $250,000,000.

Senator JOHNSON. It can't, because of wheat we raise, 800,000,000, and suppose you paid a dollar a bushel for seed, and you probably had to pay more, for we have been paying more in the last few years, but last year you got wheat for around a dollar a bushel where I was. Well, it will mean that you pay out one-fourth of what you get, or more than that. You pay probably 30 per cent of what you received. That can not be. That is too high on wheat. On oats and barley and corn, of course that is very low, because you can get a bushel of corn for $1.50 a bushel, the very best seed corn.

The CHAIRMAN. The seed in corn would be comparatively small.

Senator JOHNSON. Yes; and the cost for the seed on oats is also small, and of barley also small. So if you figure $250,000,000 for seed, perhaps it will be high after all. I don't know. The figure looks pretty big to me. That is the reason I brought it in.

Mr. MARSH. I don't say that the farmers pay that out of pocket, but if they have a good crop they will save the seed for the succeeding year, and you have got to include that.

Senator JOHNSON. That doesn't make any difference, if I have got it or if I have to pay for it. That doesn't make any difference. It costs that much anyhow.

Mr. MARSH. I will admit that this is only an estimate, and I think the tax item is very conservative.

Senator JOHNSON. You include the high-class grass seed there, too, do you?

Mr. MARSH. I include all kinds of seed. I can not quote the official of the Department of Agriculture who gave me the figure a year ago of about $225,000,000.

Senator JOHNSON. You would be surprised that on my little farm I spent nearly $50 every year for alfalfa seed, clover and timothy seed. They cost always more than any other seed you put in the ground. I got around 30 acres or a little over out of a couple of bushels of seed corn. That doesn't amount to anything. But when you go into buying alfalfa seed, that is where you get it.

Senator HEFLIN. You are speaking for the farmers of the whole country?

Mr. MARSH. For the entire country, and all crops, and I am making an estimate based on the data which I got. I say I was unable to ascertain what the farmers got for livestock sold off of their farms last year. But I do know they did not begin to meet the cost of production.

For instance, I was invited out to Chicago to talk to a so-called manufacturers and farmers convention held there on Monday and

Tuesday of last week, called by the Illinois Manufacturers' Association. I stayed there for a day and a half, up until 1 o'clock on Tuesday, and they had not got up their courage to let me speak, although they had invited me to be there, and so I had to come back to attend the hearing Wednesday morning. But we had a notable farmer there, F. Edeson White, president of Armour & Co., who spoke on the subject of how the farmer should market his crops profitably, and I suggested that Mr. White had missed the chance of his whole life, if he knew how the farmers could get a fair price for their products, he had missed his chance of a lifetime in not paying a fair price for livestock, hogs, and sheep, because for the packers of America to pay a fair price for the things they buy from the farmer would be a wonderful demonstration of the knowledge Mr. White had on the subject.

I realize, Senator Norris, that your bill will be applied first to nonperishable farm products. The livestock situation is different. There the crop has got to be sent in continuously throughout the year, and there has got to be some sort of an arrangement so that they will not glut the market, which hammers down the prices. That, of course, is another proposition, and I recognize that your bill has to do with wheat, cotton, corn, and things of that sort. But there is no excuse for the low prices which the packers are paying for livestock products. ducts.

Of course we have, I must not forget, the packers and stockyards act under the Secretary of Agriculture, and we tried to get the administration thereof vested in the Federal Trade Commission and failed, but I want to point out with respect to that farm product that we have a government agency which should be compelled to act for the benefit of the farmers, and it is not doing it now.

Now, to go ahead with a discussion of your bill, if I may, I want to refer to the so-called Burtness-Norbeck bill, and I am sorry that my friend Senator Norbeck is not here, providing for loans to farmers for raising livestock, dairy cows, and so forth. I want to say that we do believe that diversification of crops is important. I was up in Minnesota during the late unpleasantness that Senator Johnson will remember, and I remember the Governor of Minnesota was saying that prosperity would follow the dairy cow. I went out into Oregon and Washington and they were saying that there, and down in Texas, and in every one of the 18 States where I have been this summer, they were saying, "Just go into the dairy business."

I pointed out that prosperity always followed every agricultural product, but never caught up with it for any length of time; and it certainly is very dangerous to try to shift the whole farming community over to the production of dairy products. Of course, we would welcome making it easier for farmers to buy their livestock and produce their own milk, butter, and cheese right on the farm, but we would point out that it is not a substitute, and I am confident that there is no intention on the part of either Senator Norbeck or Mr. Burtness of suggesting loans to farmers to buy livestock or dairy cows as a substitute for the Norris-Sinclair bill, creating a Government marketing corporation to see that the farmer gets a fair price for what he produces.

You have gone into the financial condition of the farmers, and I am not going to give you any more than this. The total figures

which I have given you, or estimates, are interesting, and I would like to say that in the discussion as to whether Secretary Wallace was correct in giving his index figures as to the value of farm products, Secretary Hoover, in a letter dated April 26, 1923, said:

> The real point in all this discussion is the relative deflation in agriculture to that in other industries. There is no divergence between the departments on the fundamental question. The statistical studies of both departments (Agriculture and Commerce) reach the same end—that is, the farmer is in a position of inequality in purchasing power as compared with other industries.

Now, I want to point out the unfair comparison made by the Department of Agriculture—I don't say purposely unfair, but a misleading comparison made.

In the monthly bulletin on the agricultural situation in which there appears the purchasing power of farm products——

Senator McNary. What bulletin is that?

Mr. Marsh. That is the Agricultural Situation, issued by the Bureau of Agricultural Economics January 1. It gives the purchasing power of farm products, but it makes this statement at the head of the column of figures:

> Purchasing power represents relationship between prices at the farm of farm products and wholesale prices of nonagricultural products, unit quantities being considered in each case.

Now, of course the farmer does not buy his machinery or his clothing or his groceries or anything he has to get at wholesale prices. He buys them at retail prices. But he has to sell at wholesale prices. Therefore, inadvertently, I am confident the Department of Agriculture compares the farmer's wholesale price on what he sells with the wholesale price of what he buys, and he does not buy at wholesale, and that is not a fair comparison at all. When, therefore, they report that the purchasing power of farm products in November, 1923, was 73, that does not imply anything when we realize that the retailer makes enormous profits. I have no statistical data, but it is obvious instead of the purchasing power of farm products being 73 it was probably much nearer 50 or 55 at the farm than it was 73.

Then that does not include some beef cattle, but it gives for November, 1923, farm prices, the relative purchasing power of beef cattle and all commodities was 59. Swine, 59. Butter, eggs, and wool were up a little more. It was a little better. But those two, beef cattle and swine, were way down. Wheat was put at 78 and potatoes at 84.

I would like, if I may, to take up some of the objections to this proposition.

Of course, it is said that if the Government goes in and pays the farmers anywhere near the cost of production it will double the acreage. What happened when the farmer did not get half the cost of production? He doubled the acreage, and by raising twice as much he did not pull out even; then when he did not get anywhere near the cost of production he simply said, "We went busted this time, and we will double the acreage and produce twice as much." Certainly it is not logical at least to assert that paying the farmer somewhere near the bulk line cost of production is going to unduly increase his acreage.

I would like to point out the one very great advantage contained in your proposal, Senator Norris, and that is this: We have got to have an adjustment of staple farm products in this country to the effective demand at a fair price. If only wheat were selected to be bought by the Government it might be that there is danger that the high price would lead to an expansion of the wheat acreage, but as I understand your bill it is not your purpose to pay the highest cost of producing wheat, but a fair price at which the wheat could be produced, and the corporation stands ready to buy any other farm product at a fair price. So there is no incentive to rush to wheat raising, and my recollection is that the wheat acreage, which ran to about 65,000,000 acres during the war, has been reduced to approximately 49,000,000 acres. Those are figures I saw recently.

Now, there are about 40,000,000 acres of cotton land, and the boll weevil is the marketing system of the cotton people to-day. But I would like to point out there are about 485,000,000 acres of farm land improved. We have this enormous investment and fixed charges on that, to the enormous total which I have given you before. Now, we can not scrap that plant overnight. There are, roughly, from thirty-two to thirty-three million people on the farms. They have got this investment, and the big fact is that the farmers have got their mortgage indebtedness and their obligations and their short-time indebtedness, and while this is an emergency measuse in one sense, in the second and more important sense, I think in the long run it recognizes that we must get some efficiency and business methods in marketing farm products if we are going to make agriculture a going concern, and your bill, Senator Norris, is not a makeshift. It is essential right now to save agriculture, but it makes possible what we have got to have—an efficient marketing system.

The statement is made that this will bring in uneconomical land.

Senator Heflin. Before you leave that subject; you say we have got to save the farmer?

Mr. Marsh. We have got to save the farmer who does not get production costs now.

Senator Heflin. The yield was small and the ravages of the boll weevil had a great deal to do with their success, but a great many people outside of the cotton belt don't understand the problems of the farmers in the cotton belt.

This summer, nearly fall, I passed a farm of 50 acres nearly as level as this table, about as good land as you can find anywhere, planted to cotton, and the farmer told me that he would not get quite two bales off of that 50 acres. He used to get 22 and 24 bales off of that 50 acres. A number of farmers in my State who used to pick 8 to 10 bales of cotton to the acre made last year 2 bales to the acre, and 3. Some of them didn't get that; so that they would not make money on cotton if cotton were now bringing a dollar a pound. Many farmers in my State would not make money even then, and some people outside think because we are getting 30 cents a pound for cotton that the farmer is prosperous in that State.

The Chairman. In other words, he is farming so much more land than ordinarily would produce that much cotton.

Senator Heflin. Yes; and the boll weevil has cut the yield down so that he is in distress just like your farmers. It would appear on

the surface that he is better off in some respects than some of your western farmers. I am in thorough sympathy with your western farmers and want to do something to relieve them, but it will take the farmers at least five years to get over the awful situation, and unless there is something to check the ravages of the boll weevil we will have to go out of business in the cotton business.

Mr. MARSH. Just confirming what Senator Heflin has said, this report of the Department of Agriculture gives the value of cotton as of December 1, 1922, as 22.8 cents, and in 1921 it was 16.2, and having traveled quite extensively over Mississippi, Texas, Arkansas, and Oklahoma, the cotton growing States, last summer and fall, I realized in talking with the cotton growers that they are overwhelmed with debt from the last three or four years' losses, and they were not able to pay off an appreciable amount of their indebtedness by a price which averaged 31 cents according to Mr. Wallace's figures of December 1 this year, because that does not give them any large profit. It gives them approximately the cost of production with a low yield per acre of cotton on account of the ravages of the boll weevil. The fact is that we are right in the midst of a national calamity which faces a large number of people.

Senator JOHNSON. Mr. Marsh, here is what you mean, that when you had a low yield in Mississippi and perhaps in Senator Heflin's State and other cotton-producing States, in a State like Texas they had a good crop.

Mr. MARSH. They had a fine crop.

Senator JOHNSON. By getting a good crop and getting advantage of a good price at the present time nobody can say but that helped them out, but the price would not have been that high if they had had crops in Senator Heflin's State or in Mississippi and other States. You understand that?

Mr. MARSH. Yes.

Senator JOHNSON. Just the same as a farmer over in the Red River Valley would not go into potato planting in 1922 and 1923, but put in 200 acres of flax. He said, "I was not any smarter than my neighbors, but I happened to take a notion to put in 200 acres of flax, while my neighbors put in potatoes, and they didn't get anything at all," and he told me that he was the only man in his neighborhood that made any money at all during the last year and that was on account of the low production in other States.

Senator HEFLIN. At the same time in sections of Texas the drought got them, and they had crop failures, and in other sections the boll weevil destroyed their crops, and in some places they had too much rain, but in the main Texas made something out of their crop. But there are farmers in Texas who failed absolutely in 1923.

Mr. MARSH. And the point is that that cost of production was nearly or approximately the same in 1922 and 1921, when the average price was respectively only 23.8 and 16.2 cents, and, Senator Johnson, a lot of those farmers who did make a fair amount on this year's crop, were thousands of dollars behind—I mean in 1923 they made a profit, but they are way behind on their 1922 and 1921 crops, and suppose there had been a world crop of approximately 24,000,000,000 bales, as in 1916, where would they have been?

There is no relation between the supply and the price, because in 1922 the total American yield of cotton was only 9,761,000 bales,

using round figures, and the price was an average of about seven cents less than this year with a yield of 10,081,000 bales. In 1921, when they got only 16.2 cents per pound, the yield in the United States was way down to 7,953,000 bales. They would check that situation entirely, you understand, with the work that the Farm Labor Union of America is doing in ascertaining the cost of production, and when a man raises two bales of cotton, he puts a white buckle on one bale and a black buckle on the other, and he can sell only the white buckle bale before the first of the year. He has got to hold the alternate bale, the black buckle bale, to the first of the following year before he is allowed to sell it. In other words, he is not allowed to dump his product.

Senator JOHNSON. What is that you say about the farm labor union of America?

Mr. MARSH. Mr. Fitzwater explained that last week.

There is no danger of bringing in uneconomical land when you pay the farmer only such price for his product as pays him to raise it under reasonable conditions, but the question is, What are you going to do with the millions of acres of land that are now under cultivation? It is charged that the Norris-Sinclair bill will destroy the initiative of the farmer. I don't see any reason for doing that, and to point out this as to the use of uneconomical land in increasing the acreage, if the so-called cooperative organizations of farmers are successful or were successful, they would tend to get a fair price for the farmers' products, and the same result would follow, of increasing acreage and producing land speculation that your bill proposes, and the man who has been largely responsible for organizing these farm marketing associations has steadily opposed your bill. I would be very glad if you would get Mr. Aaron Sapiro here to tell you why he opposed it, if he would submit himself to cross-examination.

It is said that this Norris-Sinclair bill would upset trade channels. The acting executive of the Chicago Board of Trade wrote me that it was unconstitutional. I admit that it is on the basis that it is unconstitutional for the Government to do anything for its people. We are admitting very frankly that it is intended to upset trade channels. It is intended to do that with the cotton exchange and the board of trade, to put the Government in position to protect both producer and consumer.

Senator JOHNSON. What did you say in regard to Sapiro?

Mr. MARSH. I said I think it would be very interesting to invite Mr. Sapiro to come here before the committee and say why he opposes the bill.

Senator JOHNSON. Is he opposing the Norris-Sinclair bill?

Mr. MARSH. Yes, sir.

Senator JOHNSON. Yes; but he has not any more connection with the farm bureau, I understand, or with that organization out west. I saw that in the paper two or three years ago.

Mr. MARSH. Two or three weeks ago.

Senator JOHNSON. And I saw it just the other day.

Mr. MARSH. They entirely gave him up at their December meeting.

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Again the question comes as to the relation of the tariff and this proposal, and I would like to discuss that briefly.

I have been unable, from a very close study, to see that the present tariff, in the last analysis, has helped the farmers of the Nation materially. It seems to me that that question does not come in, however, in this connection, because the first year this corporation is in operation—and I am assuming, since there is an election this year and there are over 10,000,000 voters on the farms, it is going to pass, as well as for some other reasons—in the first year they have to test out the situation and see how it works.

Now, it may be necessary to declare an embargo temporarily for a year or so on the importation of certain farm products. That, it seems to me, though, Mr. Chairman, you have admirably covered in your bill, in that you leave large discretionary power to this commission; that is, to the board of directors of this corporation.

I want to say one thing about restricting acreage. If you restrict the acreage of our wheat, Canada will increase her acreage if there is any chance in the wordld to consume it. We have got to recognize that all of these staple farm products are raised on a world basis. That is the reason that our convention of northern and southern farmers last week adopted a resolution which I will bring before Congress later, requesting the Congress of the United States to call a conference of representatives of farm organizations from throughout the world, particularly growers of staple farm products, to see if they can not reach some agreement as to international adjustment of acreage of the staple farm products, to the effective demand therefor at a fair profit.

There was no statement which I made which was more generally agreed to by something over 110,000 farmers I spoke to last summer than this, that the farmers of the world are busy cutting each others' throats by overproducing. Of course, the wheat growers in Minnesota, North Dakota, and South Dakota and other States are in competition with the wheat growers of Egypt, India, Argentina, Rumania, and Russia.

It is not an essential part of this bill, however, but it ought to be considered by Congress, and I would like to bring out this thought, and I am nearly through. The reduction of freight rates on farm products is essential, but I would like to point out how limited as to its benefits to farmers. Reduction of freight rates on farm products, essential as it is, is not sufficient to meet the situation of the farmer, since he must get a price which will cover the freight rate. Even when freight rates were about one-half of what they are to-day the farmer did not break even, and if the farmer gets a fair price for his product, which includes the freight which he has to pay out of that price, the freight rate is not of much vital importance to him, although we would like to have the freight rates on farm products much reduced.

In concluding, let me make this statement. The Department of Agriculture during the summer or fall issued a statement that among the 30,000,000 of the farm population in the United States there are 2,000,000 more children under 10 years of age than among any 30,000 population in any combination of cities in the United States, and, as they say, what the farmer does is to rear those children and train them and feed them and get them in shape to do the work of the world, then the city takes them. Now, the farmers have that handicap over the city people, 2,000,000 more children under 10 years of age, who are not able to do very much work. It is ultimately a human proposition, as well as a financial proposition, you have before you in this measure, and we would ask this committee, which has been very generous in hearing witnesses, to report it out, and we are sure you will do so favorably at the very earliest opportunity, so that we may have it brought to a record vote on the floor of the Senate and in the House as soon as possible.

Mr. Chairman, the representative of the labor organizations to whom I referred, the transportation group of railway employes, electrical workers, and others, told me they would be glad to appear before your committee in favor of your bill, but I know you want to hasten it, and they are before the House committee to-day, and I know they are satisfied to have me make this statement that they would be glad to appear and point out that all the labor forces of the Nation are for this bill, as well as a very large percentage, in my judgment a majority, of the farmers.

I want to thank you very much for your patience in hearing me this morning.

Senator JOHNSON. Mr. Chairman, I want to ask you, will these farm measures that are now proposed, the Norris-Sinclair bill and the McNary bill and also the Norbeck bill, be reported first from the committee of the House?

The CHAIRMAN. I can not tell you that, Senator.

Senator JOHNSON. Well, it would not make any difference, I understand, but is that the plan or is that the custom?

The CHAIRMAN. Oh, no. They have no relation to each other. We can go on and report out our bill whenever we get around to it, and so can they.

Senator JOHNSON. I mention that, because what I am thinking of now is to prepare some amendments, and if that is so, that they will report out the bill first in the House, I would like to see if some of my friends over there will prepare amendments and have them offered there instead of here, and I don't want any hasty action taken, because these bills are important, and I don't want to be shut out in reporting it from this committee unless all the members know about what time you are going to take them up for final consideration before they are reported out.

The CHAIRMAN. Senator Johnson, I can not even tell you that. As soon as we get through with the hearings we will take them up.

Senator JOHNSON. I don't ask you, of course, about that, but I just wanted to let you know but the first question, of course, you answered.

Senator LADD. Mr. Chairman, I have a letter here from a prominent busines man and farmer of North Dakota, who has three large farms in Grand Forks County, and who has been there for 45 years. While this is a personal letter, it contains a great deal of information of the experiences that he has had, and I would like to have it printed in the hearings, if there is no objection.

The CHAIRMAN. All right. Hand it to the reporter, and it will be printed in the hearings.

(The letter referred to is here printed in full as follows:)

LOAN AGENCY OF THE UNION CENTRAL LIFE INSURANCE CO.,
Grand Forks, N. Dak., January 14, 1924.

Hon. E. F. LADD, *Washington, D. C.*

DEAR SENATOR: To me it seems that the farmer is not getting anywhere. About all he is getting is talk. Talk and then some more talk. Now, if they really want to help him out—I mean now the farmer of North Dakota—I think it is an easy proposition. Let the Government appoint a national marketing agent, let the President of the United States put the tariff up, as I understand he can, to 50 cents or 60 cents a bushel. If he can not do it, Congress is in session, let them do it, and then let the national marketing agent take over the management of every elevator in the United States that is receiving grain. Allow them 5 cents a bushel for receiving and handling and shipping out instead of 2 cents, as they get now, and then let the national marketing agent fix a price of $1.60 a bushel for grain at the local elevator, and have the farmer when he brings in his wheat, if he brings in, say, 100 bushels, get pay for 75 bushels, at $1.60 per bushel, and then let the elevator man give him a receipt for 25 bushels, signed by the name of the national marketing agent. If the Government needs any money to handle the proposition, let them set aside $100,000,000 for that purpose with interest on it at say 4 per cent or 5 per cent if they choose, and then have the Government order the wheat shipped to a seaport and ship until they are dead sure that there will not be any surplus left anywhere in the United States, and ship out twenty-five or thirty million bushels more than we have to spare, and at the end of the year, when the Government gets through, let them turn over to the farmer in cash whatever amount they get per bushel for the wheat net after deducting the entire charges. If he doesn't get but 50 cents a bushel, that won't matter, because he will have on an average 9 bushels of wheat that he sold at $1.60, which would be $14.40, for the three-fourths of his wheat, and then whatever he got out the other would make a sufficient amount, so that he would have the costs out of it. The national marketing agent would simply say to the mills in Grand Forks, Minneapolis, and everywhere else, "This wheat costs you $1.60 at the primary market, and costs you 5 cents for elevator charges, and costs you the freight, and if the grain remains in the local elevators until there was storage it costs you the storage. Now, you will either buy it or close up your mills." There would be no question about their buying it. They would have to buy it or close the mills, and there isn't a mill in the United States that has sufficient wheat to run it for 30 days, so they would be jumping over each other in order to get the wheat to do business with.

The State mill here has closed down one unit already because they could not get wheat, and I make the prediction that before the 1st day of July all three units will be closed unless they go to Canada to get wheat to run with. There is no wheat left in North Dakota; that is, none worth mentioning. There is some in some of the elevators, but no elevator has a big stock. I have been making some inquiry about that, and the farmers are cleaned out as they were never cleaned out before at this time of the year. Some will say that if you did that that the farmer would increase his acreage of wheat. Of course, that can be stopped easily by their having a provision in the bill that if they increase the acreage that the marketing agent will reduce the price; but I don't think that that would be necessary, because the fact that they have already sold 25 per cent of their wheat for a lot less than it cost them to grow it would stop them from increasing their acreage very much; but there can be a further provision put in the bill saying that if they increased the acreage that they would have to take a cut of such a per cent, or so many cents per bushel for the ensuing crop, so they would know beforehand what they were going to run up against. Now, there has got to be something done, and it has got to be done right away, or we won't have any North Dakota. There is not one county in this State that did not lose a lot of settlers in 1923. Bottineau County has not to exceed 50 per cent of the population that it had 10 or 12 years ago. Grand Forks County, which, as you know, is one of the best counties in the State, has lost a number of people. I have three farms right here near the city and haven't got a tenant for any one of them, and there is one of them I consider as fine a farm as there is in the State of North Dakota, and the other two are good, fair farms; and there are buildings on all three of them. Now, what are we going to do if people are going to continue to leave the State? I know, of course, that

the high tax has something to do with it. The taxes are eating up our land, but that is not the whole thing by a long ways; but our farmers have got to learn to economize. They have got to buy less gasoline, and milk more cows, and raise more cows, and do things of that kind; but they can not stay under present conditions. They can not continue to feed the United States with crops and get 50 per cent of what it costs them to grow the stuff; and that is what they are getting. Potatoes and wheat and oats, barley, and rye have not sold for to exceed 50 per cent of the cost for the past two years at least, and hogs and cattle are very little better. Our cattle are not stall fed, and the price of cattle now for anything except stall fed is ruinous. A 3-year-old steer is selling at 3 to 3¼ cents a pound, and it weighing about 1,000 pounds. You can see that it is impossible to grow them for that money. The only thing that we have left that has any money in it is a little money in flax, and there is money in dairy products, and there is money in wool. Now, we have not many sheep, so, consequently, haven't very much wool. We haven't a lot of dairy stuff, because, first of all, we haven't the facilities for handling it.

North Dakota is a waterless State, you might say. It is a difficult thing to get wells. People put down wells, and it costs them as high as a thousand dollars, and they last from two to three years. It is my candid opinion that what people are going to have to do in this State is to build water holes. I believe that that is the best solution we will have, but you know what it is to have stagnant water for stock for a whole year, and if your hogs go into the same water that the cattle do, it will make it a good deal worse. But it is a big problem; and then we haven't buildings and we haven't any natural shelter like trees, as they have in most States in the Union. In fact, nearly every State in the Union, outside of this State, Minnesota, Iowa, Illinois, and other States, have a considerable amount of natural timber that forms a lot of shelter, and with a very minimum expense will make shelter; but here we have got to buy lumber or go without shelter, and lumber now is exorbitant in price. I don't know that the lumbermen are making any too much money, but lumber is costing five to six times what it used to cost in this city. The Coulter bill is all right for those who can make use of it, but supposing a man makes use of the Coulter bill and he buys 8 or 10 cows and takes them out on the farm—and he hasn't got water, and then he hasn't got shelter, and then he hasn't got feed. What do you think is going to become of the investment? And then, too, if the Government are buying a lot of cattle, they are going to buy them at an exorbitant price. They will pay probably $100 each for cows, because they will be taken advantage of, as they always are, and there isn't any chance for them to make both ends meet. It is my candid opinion that a good deal better investment for the farmer of North Dakota to-day is to buy sheep instead of buying milch cows. Sheep only need cheap shelter. All you have got to do with them is to put them somewhere where they will be dry, and they don't need any warmth. They furnish the warmth themselves; and then they don't require but a little water—not one-tenth as much for sheep as for the cows—and they don't require but very little feed. I know that you and others down there have been giving a lot of thought to this matter, and I know that you are pestered with all kinds of letters from people like myself, but I hope you will forgive my bothering you further with this. I have every dollar, practically, that I have in the world invested in North Dakota.

I have had all kinds of faith in the State. I have been here for 45 years, and I hate to think that I am liable to walk out of it, such as thousands have gone out in the past three years. I have been all over the United States, except in the New England States, and I want to say that North Dakota has the best land that there is in the United States, more good land and less poor land than in any State in the Union. I was born in Iowa, and while it is a great agricultural State, it hasn't the percentage of good land that this State has, but to-day land in North Dakota has absolutely no value. There is not anybody that will make an offer. I have at least 150 farms and I could not sell one of them at any kind of a price. There is nobody that wants them. Nobody will talk to you about land, and you could not trade land for baloons, or anything else. The party realizes that, like an automobile, a piece of land is a liability but with the automobile, you can get some pleasure out of it, but you can not get any pleasure out of the land. Our farmers are not lazy, they are not indolent, as some people charge, and they are not inefficient. We have had farmers come here from Iowa and Illinois and other States, and not one of them has made as good as the farmers that we have had here for the past 40 years. There is nobody in the world who can farm this land better than the people

who are right here to-day, and there isn't a more intelligent class of farmers anywhere on earth than we have in North Dakota. I often compare them when I get into other States, when I go down into Texas and Oklahoma, and Arkansas and those States, and as a druggist down there said to me. He asked me what I did, and I told him that I was a farmer. Well, I am a farmer. The biggest farmer at least in North Dakota, and he said to me, "Well, you sure don't look like one of those 'er yaps what farm down here," and I sure didn't look like the ones I happened to run on to down there. Our farmers are the cream of the country, but every one of them is losing his farms. I made the statement, at the bankers' meeting at Fargo about three weeks ago, that 95 per cent of the farmers of North Dakota are bankrupt, and they all laughed at me and then I told then, I said, "All right, pick out your townships now that you say that are not 95 per cent of them bankrupt, and let's have it sized up. I will attend to getting a statement". Well, they said, "They can not pay their debts, but they are not bankrupt", and I said, "No, nor they can sell their land, and everything they have and sell it to a man who wants it, for as much as they owe on it." and if a man in that condition is not bankrupt, what is he?

Look at the condition of our banks. They are just toppling over each other, and the great big majority of the banks in the country towns are just hanging on. They haven't got a ghost of a show of ever making good, and why? Not because the men who run them haven't experience, not because they are not honest, not because they are not efficient, but because the men whom they trusted are bankrupt. That is the whole reason in a nutshell, and, believe me, the thing is going to come right home to the people in the larger cities. You notice that the, I believe, largest national bank in the State of South Dakota was closed at Sioux Falls a few days ago; and we have had a run here in Grand Forks, and a run in Fargo, and succeeded in stopping them, but I don't think the end is yet by any means. We are all dependent on the fellow who is out there on the land, and the fellow out on the land can't keep it any longer, and he is broke, and if we are not broke, then it is not long until we will be with the present conditions. The newspapers and the magazines, you know, are tooting about the prosperity that is right on hand in all of the farming districts, but there is not a day passes but what I could trade the land that I have here in North Dakota for land down in Iowa and for property in other localities; so that they can not have all the prosperity that they are talking about. I talked with a salesman who represents the State mill in the State of Iowa, and he claims that they are much worse off there than we are here. Now, I am not saying that that is true, because I haven't been down there for several years, but I can not see how it is possible for the Iowa farmers to prosper with present conditions; and Montana and North Dakota and South Dakota are certainly in a very bad condition, and northwestern Minnesota is fully as bad. The banks over in northwestern Minnesota have been toppling just as fast as they are here, and I believe worse than right here in North Dakota, and for exactly the same reason. Before they passed the Federal reserve bank act I attended a meeting in the Raddison Hotel in Minneapolis, and there were at least 500 bankers present from Iowa, Wisconsin, Minnesota, North and South Dakota, and Montana, and I was the only one of the whole outfit that said a word in favor of the bill, and they called on me just to have a little fun at my expense. All of the others who got up said that it was a failure, that it was not needed, and that the Aldrich-Vreeland currency bill was all we had any need for and several other things, but, after all, the bill was passed in spite of what they could do, and now it is admitted by everybody that it was the greatest piece of constructive legislation that ever went on the statute books in this country.

Now, they can put over this handling of the farmers' crops if they want to. If they don't want to, they might just as well shut up and get through with it, and tell the farmers to go to the devil and help himself, and then the few that can help themselves will try to help themselves. Congress ought to be honest with the farmer and tell him right out what they are going to do. They have talked, etc., for two or three years and have done nothing that has been of any help to the farmer. It is true that they loaned him some money and charged him interest on it. That is certainly a fine help for a man who already owes more than he can pay the interest on. There is only two or three things that will help him. He must have an increased price for his products or he must have new immigration into the United States that will lower his labor costs or he must have one whale of a good, big industrial panic that will affect everybody in the United States, so that the labor will be all thrown out of employment and they will start down at the bottom, and other prices will start down at the bottom. You know, they talked about the panic of 1893, 1894, 1895, and 1896. The 1895 crop was the cheapest crop that was ever in the United States. I had a thousand and forty acres that I was farming here south of the university, 1 mile, and I made money that year. In fact, made money all of those years; and I did not guess about it, because the man that was on the farm had to pay interest, and then we divided up what was left. He made money and I made money, but we made money although wheat was down to 42 cents a bushel, and everything else proportionately low, but our costs were proportionately low. The tax on the land was then about $40 a quarter, and to-day the tax on that same land is $250 a quarter. We paid our men $20 a month. They were mostly lumberjacks from the Minnesota woods. They were real mad if you did not call them before daylight, and they worked until dark, and drove four horses, and then took care of them in the morning and the evening, and to-day no hired man will take care of any horse, he won't work but eight hours, and then he wants the farmer to pay him $50 a month, which he has to pay. I don't say anything about the laboring man not being entitled to the wage, but the farmer can not afford to pay him the wage, and then turn around and sell his products at a ruinous price. Everything that he gets—his binders he bought in 1895 for a hundred dollars, and to-day they are costing him $240, and other things in the same proportion. The freight on his grain is about double what it was at that time, but the railroads have a good excuse. Their taxes are three times what they used to be and they are paying their labor more than three times what they used to pay them. Now, looking at this from every angle, it appears to me that the best thing for the people in the East, as well as, of course, the salvation of we people out here, is that we get a good fair price for our products so that we can make both ends meet and still feed those people in the East with a product that is not much more than the cost on it. I think that is better for them than to have a panic, possibly it is better for them than to have immigration, although I think North Dakota should have the immigration by all means, if they can get it. We have five times the land that the people in this State are capable of handling and we can not destroy it, and it is all being burdened with the tax.

Sorry to have inflicted you with all of this, but I had to get it off of my chest. It has been accumulating there for some time.

With very kindest regards, I am, sincerely yours.

M. F. MURPHY.

STATEMENT OF MR. HERBERT JANVRIN BROWNE, LODI, N. Y.

Senator MCNARY. State for the record your name and address.

Mr. BROWNE. Herbert Janvrin Browne. At the present time engaged in long-range meteorology as an outgrowth of my study of the economic cycle. My home address is Lodi, N. Y.

Mr. Chairman and gentlemen of the committee, I am speaking on the Norris-Sinclair bill, and without seeming to discuss it I wish to state that I was led into a study of the wheat condition in particular from its relation to the economic cycle.

The three great essentials of human life are food, clothing, and shelter. Food absolutely depends upon weather. Clothing, because it comes from cotton, wool, and flax, is very largely dependent upon the weather. Shelter is to guard against the weather. Therefore I am, I think, safe in saying these are the three great foundations of all economic factors.

My studies have led me to the conclusion that the Norris-Sinclair bill is of very essential primary necessity for the conservation of one of the great food supplies, and possibly all others, and of one of the great clothing supplies. History has shown a succession of crop shortages, and in relation to food crops sometimes famine conditions. They are based on what are recognized by some of the great

students of historic weather cycles as great periodic pendulum swings affecting weather. Now, when these swings, which may vary from a few hundred years down to even a single season, are swinging not in unison, we get average weather. Whenever the time comes that they all swing in unison we invariably get such extraordinary weather as to result in crop failures. The crop failure may come from not a whole season, like that of 1816, the year without summer, but may come where a single frost, a single freeze, destroys a crop; a single adverse condition, which may last a week, may entirely destroy a crop. It does not have to be a whole season.

We are approaching, in my judgment, that condition within a few years. If the matter is given scientific examination—and I would certainly welcome the examination by a board of scientists; some are already convinced, and one is Sir William H. Faveridge, who has figured from a critical analysis of the prices of wheat as far back as they can be traced—that we are on a verge of a great wheat famine due to meteorological conditions. I agree with him, except that I put the date a little later than his. He figured that the cycle was going to hit us in 1923, and my figures convince me that the beginning of the cycle was 1923.

There have been four 7-year famines in Egypt, beginning with the period of Joseph. Every one of the great famines in wheat fits into a multiple cycle, one factor of which is a period of 123 years, and the other a period of 147 years, the two together making a period of 271 years, and that fits into several series, which absolutely back up the dates in which the world has suffered its great famines.

My judgment is that our great critical period will come in 1926 and 1927. It is the period of the great sun spot cycle of 55.6 years. One of those periods struck the country in 1816, which was the year without a summer. Practically no crops were raised north of the Ohio or the Potomac. There was snow in every month in the year. In June there was snow from New England to New York, where on the 4th of July there was from a quarter to half an inch of ice in that area. Corn in Pennsylvania was planted three times, but none matured. In New England a little hay was cut, but not much. All the root crops were complete failures. My two grandfathers, who were young farmers in New Hampshire at that time, I remember telling me about it when I was a small boy, and in articles which I produced last year I revived the story of 1816, which had practically been lost to memory and was obscured in old records. Since then I think everyone has had a chance to reread the history of 1816.

I appeared before the House Committee on Agriculture on the 6th of February last year, at which time I forecasted weather conditions in general terms for last year. Every one of those forecasts was borne out to the letter. On the 10th of August I made public in Washington and through the press forecasts of the cold wave from August to September and October. A column was printed on the subject on the 17th of August in the New York World. An earlier article appeared in the Northwestern Miller and some of the northwestern papers.

On the 18th of August the Weather Bureau came out with a semi-official statement declaring that there was nothing to long-range forecasts, and that the weather of the following week was to be of

mild and equable temperature. Four days later the August cold wave hit the country, perhaps the severest cold wave which has been recorded for that period in the history of the Weather Bureau. On the 1st of September I personally gave to Secretary Wallace, in an interview in his own office, a statement in respect of the September cold wave. I said, "It will hit the northern half of the Corn Belt one of the severest blows which has ever been given to the corn crop." The cold wave came on schedule, and I am informed by officials of the Agricultural Department that some 250,000,000 bushels of corn were rendered noncommercial by that cold wave.

So I think that I may have justification in talking along this line before the committee.

Under the pending measure an instrumentality is created which may, in its judgment, store wheat as well as market it. Practically all the facilities are in existence to-day for storing a large surplus and preserving it, if advisable, against a day of need.

To change from that point of presentation——

Senator McNary. Pardon me. As I understand from your testimony we will have, in 1926 and 1927, a very severe cold wave, and that we will have a failure of crops.

Mr. Browne. And it will be a world-wide failure.

Senator McNary. And you want the Government to take the crop now and store it for that day of famine?

Mr. Browne. Yes, sir.

I wish now to change from a consideration of the weather conditions to a very different point of approach, namely, the bread side of the wheat proposition.

I had the pleasure, on Saturday night of furnishing a member of the Senate, Senator Brookhart, with figures on the cost of making bread in the Army—the material costs. These figures will have special value, as they represent a noncommercial production of bread, and therefore there is no reason for the sophistication of figures. The figures were furnished personally by Lieut. Col. Sherrard Coleman, who has charge of subsistence in the Quartermaster General's office.

The Army bread is the best bread which can be made. I have used it in all forms, fresh, stale, and toasted, and in other ways. It is made from a straight wheat. The material which enters into it is the best which can be procured.

Senator Ladd. When you say straight wheat, do you mean whole wheat, or flour made from such wheat?

Mr. Browne. Yes, sir; flour made from straight wheat.

The Army bakeries make from 135 to 140 pounds of bread to the 100 pounds of flour, while the commercial bakeries make from 160 to 165 pounds of bread per 100 pounds of flour. The Army cost of material ranges from 2 cents at points near to the source of supply to 3 cents at the remoter points, including Washington, D. C., where, at Washington Barracks, the whole thing can be seen in operation. Very minute fractions of a cent could be given upon this, but I have given it in its nearest approximation.

Figures now being issued by the Agricultural Department, by the Bureau of Labor Statistics from the Labor Department, and I think a third set from the Federal Trade Commission varied so widely

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in their estimates of the cost of making bread that I should urge, if the committee wish finally to go into that question, a most critical examination of the sources of that information and the method by which it is put together into statistics. If the three great Government authorities can not agree, the committee might be in doubt as to whether any of these figures should be accepted, and would perhaps prefer the disinterested figures of the United States Army.

Senator McKINLEY. May I ask you a question, Mr. Browne?

Mr. BROWNE. Yes.

Senator McKINLEY. For instance, in the Army cost of manufacturing bread, do they figure in any taxes?

Mr. BROWNE. No, Sir. The Army figures relate solely to the material entering into the bread.

Senator McKINLEY. They have not included anything of that kind?

Mr. BROWNE. The labor costs does not enter into the Army figures at all. The Army figures are reliable and can be used solely on cost of material, and since the commercial bakeries, no matter how great they are, no matter if the baker makes as much bread as is used by the United States Army, place the cost of bread so much higher than the Army figures on the cost material, there may be grave question as to whether they have not sophisticated their figures against the interests of the public and the consumer.

Senator McKINLEY. Of course you give out a statement of 4 cents, and that is what the people figure as the cost.

Mr. BROWNE. Yes.

Senator McKINLEY. They have not charged up anything of that Colonel's salary of $8,000 a year, they have not included the labor, and they have not figured anything on the freight on that wheat from Minneapolis, where they bought it, to Washington?

Mr. BROWNE. Yes, sir; that is figured in. All of the costs of material delivered to the Army are figured in.

Senator McKINLEY. But they can be delivered to the Army in Minneapolis.

Mr. BROWNE. I beg your pardon on that. The Army figures are based on the cost of delivery to the Army baking plant.

Senator McKINLEY. You mean the Army bakery where the bread is made?

Mr. BROWNE. The Army bakery; yes, sir. Otherwise there would be identical figures at points nearest to the point of supply and at the remotest points, but these figures vary from 2 to 3 cents per pound, depending upon nearness to the material.

Senator McKINLEY. But the overhead. Ford made a statement just recently that 40 per cent is added to the factory cost of every automobile.

Mr. BROWNE. Yes, sir. I have no doubt that is true.

I would like to go a little further into this bread question. Figures were furnished me which can be corroborated by the committee, from an authoritative source, that in the modern bakery, using automatic machinery, a crew of 10 bakers, of whom 6 are master bakers and 4 are assistants, will turn out 32,000 loaves of bread in eight hours, at a labor cost solely confined to the operation of this machinery, not involving other work on the materials, of $80, which would indicate a direct labor cost of a quarter of a cent per loaf. A large

bakery now in operation in Washington, a subsidiary of the Old Dutch Market, is now manufacturing about 400,000 loaves per month, which they deliver to retailers at 6 cents per loaf, wrapped, and that bread is retailed at 7 cents.

Senator McKINLEY. You mean it is delivered to the consumer at 7 cents?

Mr. BROWNE. It is delivered to the consumer at 7 cents.

Senator McKINLEY. Taken to my house?

Mr. BROWNE. I would not answer to the delivery. It goes frequently into the class of groceries where people carry it home themselves. The delivery usually in Washington is confined to the larger high-class groceries. The smaller neighborhood groceries do not deliver.

Senator McKINLEY. Does that grocer sell it to his customers for 7 cents?

Mr. BROWNE. Yes, sir; against the average cost from the great bakeries of 9 cents at retail, and not infrequently 10 cents here in Washington.

Senator RALSTON. What kind of bakeries?

Mr. BROWNE. The larger bakeries.

I have been informed, and I should have said that the committee may have this information officially if they will just call up the head of the Old Dutch Market. He will appear here and produce his figures. They have been making and selling bread in their own chain groceries, a high-class bread, for 5 cents a loaf retail. That was largely for its advertising value, but still it yielded a small profit. This gentleman assures me that 6 cents yields a very good profit, and I am speaking for the moment on my own authority. The figures which I have seen indicate a profit on this bread now wholesaled at 6 cents and retailed at 7 of $36,000 a year on a capital investment of $50,000. In other words, even at that low price of 7 cents retail a profit of 72 per cent per annum, with all overhead elements included.

This gentleman further informed me that a drop in price from 9 cents to 8 cents may be given, as he forecasts, as a 10 per cent increase in the consumption of bread, and that a drop to 7 cents, which is a 2-cent drop, would lead to a 25 per cent increase in the consumption of bread. Below that point he did not look for any marked increase in consumption, but inasmuch as over 50 per cent of the population of the United States to-day eats bakers' bread, if this estimate is correct, a drop from the 9 and 10 cent level in the present retail price of bread to 6 or 7 cents would mean an absorption of not less than 75,000,000 more bushels of wheat than are now consumed.

Senator RALSTON. Now, what in your judgment would be the effect on the farmers' bushels of wheat if that should occur?

Mr. BROWNE. Anything which led to an increase of 75,000,000 bushels in the domestic consumption of wheat would so relieve the present congestion as to carry the price of wheat up to the basis of a fair profit.

Senator McKINLEY. Do I understand that your recommendation then is that we organize a corporation as provided under Senator Norris's bill, and that in each town the Government shall start

bakeries, and government distribution in the sales of bread shall be made?

Mr. BROWNE. No, Senator. But I want to say a word in that direction.

The Agricultural Department at present operates Center Market in Washington, which is governmentally owned, and the left wing of that market has a large west loft covering something like 15,000 square feet. Other locations might be used, but if the Agricultural Department were authorized and directed to establish in Washington a model bakery and furnish bread to the Washington public at a fair profit, there would be no difficulty in proving that bread can be made and sold at a reasonable profit at 6 cents retail per pound loaf.

Senator RALSTON. Now, that may possibly be true, but here is the thing that worries me. If that argument is sound, now, that you are making, why should not the Government establish here in Washington a mercantile store in order to give a fair illustration to the public of what can be done, and what are reasonable prices?

Mr. BROWNE. Senator, I would suggest that the Government already has one here in Washington and at every other Army post where it does give the public, the soldiers of the Army, and officers, the sailors of the Navy, and their officers and families, an opportunity to buy materials of nearly every description at cost.

Senator RALSTON. The public generally does not patronize this institution.

Mr. BROWNE. No; it is not permitted to.

Senator RALSTON. No. Now, what is your idea? Would you have the Government establish that sort of a store?

Mr. BROWNE. In Washington?

Senator RALSTON. Yes.

Mr. BROWNE. No, sir. But I would like to see, for the benefit of both consumer and producer a model bakery established in order that the present inordinate profits derived by the great bakers may be reduced.

Senator RALSTON. Their profits are no greater than the profits in a great many other lines.

Mr. BROWNE. Then the thing needs very drastic treatment.

Senator RALSTON. That is what worries me now, but going on to the balance of your suggestion——

Senator MCKINLEY (interposing). I might make another suggestion. I don't know that it is being done now, but here a few years ago every week there were published the wholesale prices of meats after the packers had made extortionate profits, and they were selling them at 20 cents a pound and the retail price was 40 cents a pound. Should not the Government start meat stores, because meat costs a good deal more than bread does?

Mr. BROWNE. I would not go very far along that line, Senator, but I would suggest that bread is the staff of life; it is the first basic food essential, and the actual proof that bread can be economically and profitably sold at retail for 6 cents would possibly have a very valuable effect in starting municipal bakeries under municipal control in every section of the country. Even more, without even going into that, the publicity which may be given, or the advertising, if you please, if you can call it advertising, to the efforts now being made by this subsidiary of the Old Dutch Market to put bread onto the Washington market at a reasonable price may induce similar efforts in other cities.

Senator GOODING. Let me ask you, have the big bakeries eliminated the small man in this city?

Mr. BROWNE. Not entirely.

Senator GOODING. Not entirely?

Mr. BROWNE. They don't want to, because the small hand baker is a most useful advertisement for the big baker in his effort to maintain prices at a standard which the small baker must charge, and that is the way it works. The small hand baker in Washington is selling his bread at the same price as the big bakers.

Senator GOODING. Did you put that price in the record?

Mr. BROWNE. In Washington it is 9 cents. In some places it is 11.

Senator GOODING. Have you given the committee the information as to how much a bushel of wheat costs—that is, how much the wheat in a loaf of bread actually costs?

Mr. BROWNE. I have given the figures in lump as to the cost of material entering into bread in the Army posts, not including the cost of manufacture, but the actual cost of that material delivered to the Army.

Senator GOODING. Raw materials, you mean?

Mr. BROWNE. Yes, sir; and those figures are furnished by Col. Sherrard Coleman, who has charge of that. That is already in the record. Figures are now available in the Department of Agriculture, very recently taken, of the price of bread in France, which is almost exactly 3 cents per pound loaf on the old basis at retail, and wheat in France ranges from 15 to 20 cents a bushel higher than the market price. The French baker still clings to hand methods and produces from 500 to 700 pounds of bread per day, while the American baker, with the use of automatic machinery, produces in a day of eight hours 3,200 pounds of bread.

Senator GOODING. Per man?

Mr. BROWNE. Per man. Thirty-two thousand pounds of bread for a crew of 10 men operating automatic machinery.

Senator GOODING. And yet this bread sells for 30 per cent of what it sells for here in America—3 cents a pound, you say, and here it is 10?

Mr. BROWNE. Three cents a pound against 9 and 10.

Senator GOODING. That would be about 30 per cent.

Mr. BROWNE. I will give you a peculiar illustration of the cost of doing business in a municipality. Perhaps it is an extreme illustration, but it may direct your minds to an interesting situation in the city of Washington where the Government has absolute and exclusive power of legislation, and where by some mischance or failure to exercise that power the cost of living has become higher than in any other American city with which I have contact. I figured out for Senator Brookhart the present rental value of good corn land in Iowa. He said it was running from $6 to $7 and under exceptional conditions perhaps $8.

The CHAIRMAN. Per acre per year?

Mr. BROWNE. Per acre per year. I said, "I want to get a certain set of figures, and I want to figure then that two acres will be about

88,000 feet, and I want 100,000 feet for purposes of comparison, and I will say that $16 is the rental for 100,000 feet of good Iowa corn land per annum." Just beyond the corner of Fourteenth Street, on the south side of G, is a little bootblack stand operated by an Italian, about 8 feet wide and possibly 20 feet deep. He is paying $16 per square foot annual rental for that little hole in the wall. In other words, the landlord of that piece of ground is deriving one hundred thousand times as much rental per foot as an Iowa corn farmer would get.

Senator GOODING. You have not compared that with our State, have you, where land values are not quite as high?

Mr. BROWNE. No, sir; I tried to get values where land is high; one hundred thousand times as much rental per annum, and yet Congress is called on to tax your western farmer for 40 per cent of the expense of running the District of Columbia in order that that overrich landlord may avoid his fair share of the public burden.

Senator MCNARY. Up until a few years ago the Government was paying 50 per cent.

Mr. BROWNE. We have got it down to a 60–40 basis. In time, when the country at large realizes that all the value of the District of Columbia is Government created, and that every man who comes here to serve his country in public office must first make terms with a landlord before he can perform his functions, we may change that basis.

Senator MCNARY. Mr. Browne, is there anything further that you want to express yourself on to the committee touching this bill?

Mr. BROWNE. I think that I have covered the main things I wanted to present.

I should like to have put in the record this article of mine on "The weather in 1924," taken from the Country Gentleman of January 5, 1924.

Senator MCNARY. If there is no objection by the committee it will be inserted in the record, Mr. Browne.

(The article referred to is here printed in full, as follows:)

[The Country Gentleman, January 5, 1924.]

THE WEATHER IN 1924—WHAT AMERICA'S CROPS WILL FACE.

[By Herbert Janvrin Browne.]

Here's an article which will start something. Scientific weather forecasts have usually been tomorrow's guess—sometimes wrong. This weather forecast, by a man who makes weather science a private hobby and a life study, is for next month's weather and next summer's. It may not have the indorsement of the Weather Bureau. But Mr. Browne, on the basis of past success, risks his reputation to give the farmer forecasts which will be of tremendous value if they prove out.—The editor.

Science again is coming to the farmer's assistance. The principles of sound long-range weather forecasting are becoming established. This does not mean that rain, or frost, or snow can be set for a definite day months ahead; but it does signify that the general course of the year to come as to excess or lack of rain, the tendency as regards heat or cold departure from the average, the disposition toward late cold waves and frosts in the spring or their unseasonably return in the late summer and early fall can be announced with even more certainty than characterizes the day-to-day reports of the Weather Bureau, which, by and large, come true about eighty-five times in the hundred—a remarkable record of efficiency.

The writer made public, early in 1923, a forecast of 1923 weather for the year which ran 100 per cent correct, and on August 10 he gave out forecasts of the series of unparalleled cold waves which during August, September, and the first part of October caused crop losses aggregating some $200,000,000 in the United States. With this announcement I will turn to the last chapter of the book and let readers see how the story ends. I will forecast the weather for 1924 in the United States, generally and by sections, and tell how these conclusions are reached.

Taking the country as a whole, the temperature for 1924 will be below the average and the rainfall likewise. It will be a "cold-dry" year, according to the standard of the eminent meteorologist, Brueckner. There will be areas which will receive far above the normal rainfall and areas in which the heat will contradict this forecast; but this rainfall and excess heat will be at the expense of the rest of the country, which in the weather lottery should have a fairer average of distribution. Again, there will be a few months—very few—which will register above the normal of heat or of rain, but again it will be at the cost of months which would be greatly benefited by a fairer share of the excess gifts of sun and sky.

Let a word of caution be given here about weather records and averages. All the values can be smoothed and smothered in the figures of average weather, rainfall, and temperature. There could be a 5-inch cloudburst on July 1, tearing up the country and doing great damage, and the rest of the month record a burning drought, yet the average rainfall for July would be normal. There could be two cold waves with killing frosts in May which would destroy the fruit blooms in a dozen States, yet balmy weather the rest of the month would make the record for May read "Temperature, normal."

A HAZARDOUS SPRING AHEAD FOR FRUIT.

The year 1924 will be marked by several severe and unseasonable cold waves, the earlier penetrating far south, to the serious loss of unprotected fruit and early vegetables. Later ones will hit the Appalachian fruit growers, who would do well to use protective devices, a suggestion which can be extended generally to peach, plum, cherry, and grape growers in all sections of the North and East. The west coast has already learned the lesson. The early fall months will witness not less than three cold waves of damaging character and wide extent. They are the natural accompaniment of the cold-dry type of year.

One feature of vital importance should be remembered: This is to be a year of violent fluctuations. Hot waves will alternate with the cooler periods which will dominate the year; but as the hot waves will be accompaniments of droughty weather, they will leave their unpleasant mark on the crops. Farmers should plow deep and get their land surfaces into the best shape possible for light rainfall. Alfalfa fields about to be turned over this spring might be spared another year. The deep roots will insure a crop when the other grasses will be short. Dairymen should provide liberally against an early failure of pasturage by planting an abundance of green forage.

Winter wheat, where uninjured by the excessive cold rains of October and November in the Oklahoma, Kansas, and Nebraska region, will have a fair year, as will spring wheat in the upper Missouri-Mississippi States. But the corn farmers in the northern third of the Corn Belt, all the way from Ohio to South Dakota, will make a wise insurance by cutting down on their corn acreage and putting in other crops not so liable to be damaged by September frosts of the killing order. Corn planted in that latitude should be in early, even at the risk of replanting. It is cheaper to replant than to lose a greater part of the crop from late maturity.

The region of the Great Lakes east to the Hudson, the Ohio Valley, and the Atlantic seaboard from New England south to Virginia have much the same weather indications, save that the seaboard for a depth of about 200 miles receives a share of its rainfall directly from the ocean, and for a less distance has its temperatures moderated at both extremes by the same influence. This whole region, including the upper Mississippi Valley and the lower Missouri Valley, will bear the brunt of the rain shortage of 1924. Numerous thunderstorms will furnish the principal precipitation, but this source is too irregular and spotty to satisfy crop requirements, and locations within the sections named will suffer severely.

The South Atlantic seaboard and East Gulf States will have from enough to too much rain and thereby reason for complaint. The West Gulf will be one

section with small cause for anxiety. There the little gods of rain and sunshine are going to do their best. So, too, the great range belt, from Havre, Mont., to Amarillo, Tex., and Roswell, N. Mex.; yes, even the Big Bend country, the Rio Grande Valley, and across the border to Arizona are going to see the best grass and water in 20 years, and it will carry on for several years to come. The usually well-watered sections of the Middle West and East will have too little.

The Pacific coast takes separate consideration. Offshore lies a huge body of cold water welling up from the depths of the ocean. This is the main cause of the heavy rainfall of the western sections of Washington and Oregon, lessening almost to the vanishing point over the hot lands of southern California. This cold oceanic area has increased in breadth and lowered in temperature. Less moisture will flow inland, and what does will come with stronger winds. More moisture will cross the Divide into eastern Washington and Oregon and into Nevada and Arizona, which will thus benefit at the expense of the coast.

Heavy snows are forecast for the lower Lake region, Pennsylvania, New York, and New England; in fact, practically the whole area east of the Mississippi and north of the Ohio. The Great Plains and Northern Plateau will also have a good cover. A thick blanket holding late in upper Canada will be one of the indicating causes of a retarded spring in the States, marked by the promised cold waves. If we are to have cold waves the late spring will have its compensating advantages. Also a deep snow cover would hold promise of good crops were the hope backed by adequate rains later on and a proper commingling of warmth and sunshine, but not otherwise.

The Southeast will not complain of excessive heat the year through. Temperatures will run below the average, but the Southwest, including Oklahoma and Kansas and clear across to the limits of western Arizona, will set new marks for the thermometer to shoot at. And on parallel dates other regions will see winter overcoats drawn from their retreats.

Now, this is not intended to be a pessimistic forecast of calamity. Consider it more as an effort to aid farmers of the land to take time by the forelock.

Everything starts with the heat of the sun. The sun's heat varies. There are short variations a few days in length, the effects of which are soon felt and soon over. There are others of much longer duration, the effects of which are a long time in reaching full development. Other periods are believed to exist which may last for centuries.

MOST UNUSUAL WEATHER OF A CENTURY.

For three years, from 1918 to January, 1921, the sun's heat reaching the earth was about 1.5 per cent above normal. Then it began to drop with considerable rapidity until by September, 1922, it had fallen about 2.6 per cent below the normal, a range equivalent to about 4.5° F. in the earth's temperature. This was, of course, not distributed evenly all over the earth, but added so strong an element to the great pulsations of air and heat exchange between the poles and Equator as to produce the most extraordinary weather abnormalities of more than a hundred years. And it is on these pulsations and their approximate effects that the weather of 1924 is forecast in this article. The sun's heat has now returned to a point somewhat below its normal level, but the effect of its five-year lurch will be experienced for several years to come. It has been truly world-wide.

The oceans, slow to respond, are now beginning to feel the drop in the sun's heat. The Gulf Stream will have lost some of its temperature. The Gulf of Mexico, the Caribbean and the whole Atlantic will be cooler. Consequently less moisture will be taken up by the winds and driven landward. Air over the land will be cooler; consequently what moisture is brought in will be deposited unduly near the coast. That explains why heavy rains are predicted for the South Atlantic and Gulf States. Less moisture comes in farther north, partly because the prevailing winds are westerly and partly because the sea is colder and less responsive to calls for moisture. The Mississippi Valley and its sections to the east draw moisture from the Gulf of Mexico, and that will be largely precipitated south of Memphis. The southeast monsoon which waters Texas and the arid ranges will, as written before, find the situation to its order, and will wet-nurse that vigorous land to all its lustihood.

PURCHASE AND SALE OF FARM PRODUCTS.

THURSDAY, JANUARY 17, 1924.

UNITED STATES SENATE.
COMMITTEE ON AGRICULTURE AND FORESTRY.
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris (chairman) presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Ladd, Norbeck, McKinley, Heflin, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order. Colonel Coleman, you wanted to be heard this morning?

STATEMENT OF SHERRARD COLEMAN, LIEUTENANT COLONEL, QUARTERMASTER CORPS, UNITED STATES ARMY.

Lieutenant Colonel COLEMAN. My name is Sherrard Coleman. I am a lieutenant colonel in the Quartermaster Corps, in charge of subsistence and forage in the office of the Quartermaster General of the Army.

The CHAIRMAN. Colonel, the committee are very anxious to get reliable data on the cost of distribution of farm products from the time they leave the farmer until they reach the consumer. We understand that you had charge during the war of the making of bread for the Army, and that you can give us a great deal of information with regard to the cost of converting flour into bread. We would like to have you, in your own way, go on and give us your experience as it actually occurred, and any information that you can give us in that regard we will greatly appreciate.

Lieutenant Colonel COLEMAN. I became interested in bread making as an officer of the Army a good many years ago, and worked with the idea of the Army manufacturing its own bread, and was instrumental in establishing a field bakery at Fort Riley, Kans., which covered a period of about 10 years prior to the war. During the World War it became necessary to expand our methods very hurriedly until I had supervision of practically the making of 4,000,000 pounds of bread per day for the training schools and camps situated in different parts of the United States.

Our method of baking bread was developed by hand, with very little machinery, but we are familiar with all the details of modern machinery for making the product. In the Army the soldier is given as a part of his ration known as the bread component, bread at a price based on the cost, that is, the first cost of 18 ounces of flour.

The Quartermaster Corps manufactures bread and sells it to him at the actual cost of the ingredients only, for you must know that the Army bakery is operated by soldier personnel. So the soldiers buy this bread at the actual cost of what goes into it; that is to say, flour, sugar, salt, lard or shortening, and yeast. As a rule the flour is bought by the Army f. o. b. the station at which it is used. During the past six months it has varied somewhat in cost from approximately 2 cents a pound to 3 cents a pound. At Fort Riley, which is, we take it, about the center of the wheat producing territory of the United States, we bought the straight flour which at that time was——

The CHAIRMAN (interposing). Will you tell us either now or at some other time what you mean by straight flour?

Lieutenant Colonel COLEMAN. Yes, sir. Straight flour is what is known as a mixture of first and second patent. It is not the high-priced flour, but it is a first-class flour, very strong, and sacrificing some of the whiteness in the finer grades. It is, in other words, a strong flour.

Senator MCKINLEY. It is about three-quarters of the wheat, is it not?

Lieutenant Colonel COLEMAN. Yes sir. As I was going to say, we buy this flour at Fort Riley, delivered, at about 2 cents a pound. We bought some this year as low as 1.9 cents delivered.

The CHAIRMAN. You buy it in carload lots?

Lieutenant Colonel COLEMAN. Yes sir. This particular lot I am speaking of we bought something over 3,000,000 pounds and distributed it to different points, and the cost of this distribution brings the cost up from about 1.9 cents, which is the lowest lot, to about 2.7.

If it is of interest to the committee, I have a copy of that particular contract with me, showing you the low price of flour at that time. The contract was made in August, and delivery was made in September and July, which, of course, is the cheapest period of production of flour.

If we can get flour at 2 cents a pound delivered, it means that with soldier labor and post bakery equipment which, of course, is not the improved machinery that you have in the commercial bakeries, but consists of a mixer and the balance of the work is done by hand, we can produce that bread for less than 2 cents a pound actual cost.

Senator GOODING. Without taking into account the labor cost?

Lieutenant Colonel COLEMAN. Without taking into account labor costs.

Senator MCKINLEY. Or rent?

Lieutenant Colonel COLEMAN. Just the materials that go into the bread. In other words, we usually get about 140 pounds of bread for every hundred pounds of flour. The output, of course, depends upon the personnel used to mix it up. Some will get a higher yield than others, on account of the waste.

The CHAIRMAN. You get 140 pounds of bread out of 100 pounds of flour?

Lieutenant Colonel COLEMAN. Yes sir.

The CHAIRMAN. Does that extra 40 pounds comprise the other ingredients?

Lieutenant Colonel COLEMAN. No sir. The extra 40 pounds comes by reason of the addition of water, and the other weight that is added to it, but the water is the largest item of weight. In other words, we put in 57 per cent of water, which, of course, accounts for the increased weight.

Now, at the present time, flour has increased somewhat, which has resulted in our paying about a half a cent a pound more for flour than we did in that particular contract.

Senator GOODING. What time was it you made the contract for this amount?

Lieutenant Colonel COLEMAN. The latter part of August. I have it here and can quote from it if you would like to hear it.

Senator GOODING. No, that is not necessary.

Senator RALSTON. Is it lengthy.

Lieutenant Colonel COLEMAN. No, it is not lengthy at all.

Senator RALSTON. I would like to have it go in the record.

The CHAIRMAN. There is no objection.

Lieutenant Colonel COLEMAN. This contract is from the official records. This is a record I took from the official records—just a memorandum.

Senator GOODINGS. Now, this contract for the 3,000,000 pounds you bought was for Fort Riley?

Lieutenant Colonel COLEMAN. No sir. Fort Riley was only one of the delivery points under the contract. I think Fort Riley got something like 4,000 pounds, more or less.

Senator GOODING. The point of delivery is the same now as it was at that time, and it is 50 cents a hundred higher, you say?

Lieutenant Colonel COLEMAN. Yes, about half a cent a pound higher.

The CHAIRMAN. Can you give the committee any data on the basis of a bushel of wheat? For instance, can you tell us out of a bushel of wheat, now, 60 pounds, how many loaves of bread you make?

Lieutenant Colonel COLEMAN. Senator, that is a little out of my line. It would be more or less guess work, and you could get better evidence.

The CHAIRMAN. You are not familiar with the number of pounds of flour that come from a bushel of wheat on the average?

Lieutenant Colonel COLEMAN. No, sir.

Senator GOODING. Let us take it in flour. Ask him how many pounds of flour he gets out of a bushel of wheat?

Senator JOHNSON. Senator Ladd knows all about that. He can give the committee that information.

The CHAIRMAN. I think there are many members of the committee that know that. I think I know it, too, but want to get it in the record so that the Senators can read this record and find out.

Lieutenant Colonel COLEMAN. That varies with the class of flour you are producing; the finer the grade of flour as a rule the less number of pounds per bushel of wheat. As a rule, if I remember right, commercially a baker expects 300 one-pound loaves of bread per barrel of flour. We don't reach that in the Army because it is to the baker's interest to sell all the moisture that he can. We drive out all the moisture we can in our bread.

The CHAIRMAN. Then, if I understand you, commercially they would get a greater number of loaves of bread out of the same quantity of flour than the Army does?

Lieutenant Colonel COLEMAN. Yes, sir.

Senator LADD. One point I wanted to ask you about before you finish. You said you used a straight flour. Is that about what the average baker uses?

Lieutenant Colonel COLEMAN. That is about what he uses.

The CHAIRMAN. You are not familiar, perhaps, Colonel, with the labor that is properly chargeable to the making of bread, are you?

Lieutenant Colonel COLEMAN. Senator, I don't feel that I am competent to give any expert testimony on that. I only know approximately what the labor cost is, and I think that they generally figure on a fraction over a cent a pound in the ordinary commercial bakery.

The CHAIRMAN. If that were true, and assuming that to be true, then the cost of a loaf of bread, actual cost, including the material that is in it and the labor that there is in it would be between 3 and 4 cents a loaf?

Lieutenant Colonel COLEMAN. And also you would add to that the cost of machinery and fuel and such other overhead costs as would go into the wear and tear of the machinery, interest on capital investment, etc.

The CHAIRMAN. Yes, of course, that is taking in items that I did not include, but which can properly be included. I was trying first to get the cost, confining it to the labor and materials, but taking in all of those things, can you give us any information as to what the cost of a loaf of bread would be without any profit added, but just the actual cost, including material that goes into the bread, the labor, and the overhead which would include wear and tear on machinery, as I understand it, interest on the cost of machinery, capital invested, and everything else?

Lieutenant Colonel COLEMAN. That would range somewhere from 4 to 5 cents, and I have been trying to arrive at some accurate figure. Of course it depends upon where it is. The location has a good deal to do with it. I believe in Washington I could produce the same bread that we are turning out in the Army bakeries commercially for 4 cents, but I am not positive of that.

The CHAIRMAN. Is there anything else, Colonel, that you have in mind that would be of interest to us?

Lieutenant Colonel COLEMAN. Nothing else, Senator, except that I am interested in the proposition and have always been interested in it. I have always been interested in farm work. I was raised on a farm myself, and I have never gotten away from it.

In the so-called eat-more-wheat advertising campaign that they had for the last six months or more with the idea of increasing the consumption of farm products, particularly wheat, it seems to me if they would make the products of wheat and corn a little more attractive there is big room for improvement with a consequent relief of what they complain of now.

As an illustration of that, there was an Army officer told me yesterday—he happened to be sitting at my desk when Mrs. Talbert called: "Sometime ago I got to know the mess sergeant in my company, which consists of 150 men"——

The CHAIRMAN. That is what this officer told you?

Lieutenant Colonel COLEMAN. Yes, sir; he said, "I went down to the company for supper and the cook and mess sergeant had made up about a 1,000 rolls, and I said to him 'Sergeant, what in the world are you going to do with all that for supper?' He says, 'Captain, they are going to eat it all.' He said, 'I don't believe it. Do you mean to say that they are going to eat about 10 of those rolls apiece?' He said, 'To verify it, I went back there after supper and they had eaten them all up. There was not a roll left. The next day,' he said 'I was in the kitchen and they were making doughnuts, and I asked the sergeant, in view of what had happened the night before, how many doughnuts he was going to make. He said, '1,200.' When I went back home I told my wife that they had doughnuts in the company for supper, and she said, 'I wish you would go down and get some and bring them home. I am very fond of doughnuts myself.' I went back to the company and supper was over, and there was not a doughnut left."

The CHAIRMAN. This is still what this officer was telling you?

Lieutenant Colonel COLEMAN. Yes, sir. Those are his words. During the war, to further illustrate how attractive bread can be made, and what demand can be made for it if a man's appetite is properly appealed to, we had a very fine baker, located at Camp Dodge. He put out a most beautiful product, and on a trip in the winter of 1918, just about this time of a year or a little later, the men in charge of the bakery complained that he had to work his men overtime. He was then making about 60,000 pounds of bread per day. I asked him something about how much bread they were eating. I was very much interested in the matter of waste. He said, "It is not being wasted at all." He said he watched that. But he said, "They have got two regiments of darkies up here that eat about 3 pounds of bread per day per man." I said, "How do they do it?" and I told him I would like to see. So I went up into one of the regiments and happened to strike the regimental commander, and told him that I wanted to inquire about the matter of waste. So he called up one of the mess sergeants and inquired of him the amount of bread they were consuming per man, and he said, "Yes, sir; I have never seen a nigger eat so much bread in my life—bread and cakes. They waste nothing."

That I simply mention to show how consumption can be increased if you make it attractive.

The CHAIRMAN. The consumption of bread would increase, but if you succeeded in increasing the amount of bread it would follow, I presume, that the consumption of other products would decrease in the same proportion.

Lieutenant Colonel COLEMAN. Butter would increase, that is certain. That is true, though, Senator. I imagine there would be some effect there.

Senator JOHNSON. Don't you think, Colonel, that the reason the consumption of wheat has been falling down comes from what we heard here the other day in a statement of one of the witnesses to

the effect that the people are eating so much oatmeal, corn flakes, and many other things?

Lieutenant Colonel COLEMAN. Yes, sir; undoubtedly so. There has been a tendency of the age or the time to drink more milk with such things as breakfast cereals, or something of that kind. In other words, the method of living has somewhat changed. The cooks we have these days do not have the time that they had in the old days to elaborate on meals. People eat hurriedly. They get a bottle of milk and a package of bran or oatmeal or something of that kind and make a little mush and are satisfied with it. Not at every meal, but usually for breakfast that is true.

The CHAIRMAN. That is a good thing, is it not, Colonel? It will increase the consumption of milk, for instance?

Lieutenant Colonel COLEMAN. Yes, sir. I think it is good for the milk.

The CHAIRMAN. And it is good for the person?

Lieutenant Colonel COLEMAN. I believe so.

Senator JOHNSON. Yes. But, Colonel, of course in some restaurants where you pay a good price for a meal they put up all kinds of bread, but is it not true that in some restaurants when you order bread you get two thin slices or three, and you hesitate to order another? I have been in some restaurants, and perhaps you have, and you would like to have another order, but you try to get through with what you get, and of course if you pay so much for the meal they give you as little bread as possible. Is not that true?

Lieutenant Colonel COLEMAN. Yes, sir.

Senator JOHNSON. That, of course, does not help the consumption of wheat bread?

Lieutenant Colonel COLEMAN. Of course not.

Senator LADD. Let me see if I have it clear, Colonel. The actual cost of the material that enters into a pound loaf of bread produced here in Washington amounts to how much per pound loaf?

Lieutenant Colonel COLEMAN. About a half cent.

Senator LADD. You mean the flour and all?

Lieutenant Colonel COLEMAN. Oh, no.

Senator LADD. I said all the materials that enter into the cost.

The CHAIRMAN. He wants the costs of the materials only, now.

Senator LADD. As you produce it, I mean.

Lieutenant Colonel COLEMAN. The cost of the flour on an average, that is. of the flour that the Army uses, will average about 2½ cents a pound. The other ingredients cost about one-half cent. Now, that means that 100 pounds of flour at $2.50 has added to it 50 cents, making $3 as the cost of the ingredients. Out of that we should get 140 pounds of bread.

Senator LADD. Or 140 one-pound loaves.

Lieutenant Colonel COLEMAN. Yes; 140 one-pound loaves.

Senator LADD. That was the information I wanted.

Senator HEFLIN. How much do you get for the loaf then?

The CHAIRMAN. They don't sell it.

Lieutenant Colonel COLEMAN. We sell it at the actual cost to the soldiers. That is, the actual cost of the ingredients without the cost of labor or anything else.

Senator HEFLIN. And what does such a loaf of bread sell for in the market?

Lieutenant Colonel COLEMAN. I don't know. That is just as big and just as good as any loaf that you get here in Washington from any manufacturer. We have different kinds of bread commercially. One baker here makes, I think, what is known as Bond bread. That bread has a great deal of milk in it. We think our loaf is just as good as that.

Senator HEFLIN. What does the loaf sell for?

Lieutenant Colonel COLEMAN. It varies.

Senator HEFLIN. On the average here in Washington?

Senator RALSTON. We went over that yesterday.

Senator HEFLIN. What was the statement?

Senator RALSTON. Nine to 11 cents.

Senator KEYES. Some sold at 7, as I recall it.

Senator RALSTON. Yes; some sold at 7 cents and some at 11 cents.

Senator HEFLIN. Your statement is that for the ingredients, without including labor, machinery, or anything else, it costs 4½ cents to make a loaf?

Lieutenant Colonel COLEMAN. No, sir. I said I believed that I could produce the loaf of bread that we have in the Army—the 16-ounce loaf—with the recipe that we use, for 4 cents, commercially.

Senator CAPPER. That is eliminating the item of labor?

Lieutenant Colonel COLEMAN. No.

The CHAIRMAN. That includes everything?

Lieutenant Colonel COLEMAN. Everything.

The CHAIRMAN. Overhead cost, labor cost, and everything?

Lieutenant Colonel COLEMAN. I said I believed that I could do it.

The CHAIRMAN. But that does not include any profit.

Senator CAPPER. I gather from your statement that the Government is now producing bread and feeding its soldiers at a less cost than possibly ever before, or as low as ever before, while the public is paying about as high a price for bread as ever before, or higher than in former years?

Lieutenant Colonel COLEMAN. Yes, sir.

Senator CAPPER. You mentioned labor as being a big factor in the increased cost. Is not the distributing cost a very big item in that spread as between the Army cost of bread and the price to the public?

Lieutenant Colonel COLEMAN. Undoubtedly so.

Senator CAPPER. Have you any suggestion or any idea as to how the system of distribution in this country, the marketing system in this country, so far as it affects bread as an item of the cost of living, can be simplified and made more economic? Apparently, now, it costs almost as much to deliver it as it does to produce it. Have you any ideas on that question?

Lieutenant Colonel COLEMAN. None other than I realize that at the present stage the cost of transportation is a good deal more than it used to be, both rail and animal and motor transportation cost per mile to operate. If the people would make up their minds to haul their own bread, so to speak, go after it, the cost could be reduced. We have now chain stores that make no deliveries, so that if a person felt that he could not pay for transportation he could do his own transporting.

The CHAIRMAN. As I understand it, Colonel, your estimates on the cost of bread, including everything that goes into it—labor, overhead and material—would be about 4 cents for a 16-ounce loaf, and

if you were dealing in it commercially you could sell bread on the market such as you make and pay all those costs at 4 cents and come out even, and if you sold it at 5 cents you would make a profit of 1 cent on each loaf?

Lieutenant Colonel COLEMAN. Yes, sir; I think so. I would like to qualify that by saying that is my opinion from my study of the question, but that is based on a cost of flour of the class that I am familiar with, and the recipe that we use.

The CHAIRMAN. Yes, I understand; you mean making the same kind of bread that you now make, and you consider that bread as good as any bread on the market commercially?

Lieutenant Colonel COLEMAN. Yes, sir.

Senator JOHNSON. Pardon me, Colonel. Probably I misunderstood you. When you mentioned the price of flour did you say 2 cents a pound that you paid for flour?

Lieutenant Colonel COLEMAN. I said that at Fort Riley, Kans., which is the center of the wheat-producing territory, flour would cost about 2 cents now.

Senator JOHNSON. That would be $2 a hundred. Is that what you mean?

Lieutenant Colonel COLEMAN. Yes, sir; $2 a hundred or $4 a barrel.

Senator JOHNSON. Do you mean at the present time or some time ago?

Lieutenant Colonel COLEMAN. Well, I will qualify that by saying I think flour has gone up somewhat since I had those figures, but we bought flour this season f. o. b. Fort Riley for 1.9 cents a pound.

Senator JOHNSON. Well, that is a surprise to me, because in Minnesota, where we live, right in the shadow of the big flour mills, we have to pay for a hundred-pound sack of flour, Occident flour, between $4 and $5.

Lieutenant Colonel COLEMAN. Occident is a very high-class flour.

Senator JOHNSON. Oh, yes, that is the best there is. I am told they can buy it cheaper in Washington on Pennsylvania Avenue here than I buy it out there, but anyway I know the very kind of flour you buy, you buy it cheaper because you get a lower grade of flour or because you buy it in such big quantities so you get rebates?

Lieutenant Colonel COLEMAN. No; there is no such thing as a rebate, Senator. We buy flour by advertising under specifications as to what it shall be.

Senator JOHNSON. Yes.

Lieutenant Colonel COLEMAN. To be delivered in cotton sacks of 100 pounds.

Senator JOHNSON. Do you remember what mills you bought from, what company you bought from when you got it that cheap?

Lieutenant Colonel COLEMAN. Yes, sir. The Consolidated Flour Mills at Hutchinson, Kans. That is right in the heart of the wheat belt.

Senator JOHNSON. That is winter wheat?

Lieutenant Colonel COLEMAN. That is winter wheat; yer sir.

Senator JOHNSON. Yes; but they had to get wheat from North Dakota to mix with that wheat, didn't they, to get the right kind of flour?

Lieutenant Colonel COLEMAN. No, sir.

Senator JOHNSON. You are using all winter wheat?

Lieutenant Colonel COLEMAN. Yes; but that is hard wheat.

Senator JOHNSON. Yes; I understand it is. It has not got the gluten in it that it has in North Dakota, but you are using that anyway?

Lieutenant Colonel COLEMAN. It has plenty of gluten for our uses.

Senator JOHNSON. It has?

Lieutenant Colonel COLEMAN. It will run from 12 to 14 per cent gluten.

Senator JOHNSON. Do you believe that the people of the big cities of Kansas, or even in Washington here, would be satisfied with that kind of bread manufactured from that kind of flour? Would they be satisfied?

Lieutenant Colonel COLEMAN. I think they would be satisfied with that bread; yes, sir.

Senator JOHNSON. I know that there are many housewives, several that I tried to put on record, who, if you buy a sack of flour, for instance, of any other make than the Minneapolis, the best flour, they will notice right away that it does not knead as well, and they can not work it into a loaf of bread as easy as the best flour. That is the reason they demand the best flour, and the reason why the small flour men are being put out of business, because they can not manufacture flour to compete with the best flour on the market. What is your experience?

Lieutenant Colonel COLEMAN. Well, they object if they find a flour too strong, and that is what you are complaining of.

Senator JOHNSON. Yes.

Lieutenant Colonel COLEMAN. They blend it with a soft wheat, what is known as winter wheat, raised in lower altitudes.

Senator JOHNSON. What I am driving at is this. I want to know, because I am suspicious now that the Army got flour too cheap, and then the flour mill company put it over on us, because we have to pay so much more. That is that "Pittsburgh-plus" coming in right there on wheat instead of iron. Is there any danger of that? What do you think about it?

Senator LADD. Is there not one difference between you two? As I understand it, the colonel is speaking of straight flour and you are speaking probably of patent flour.

Senator JOHNSON. Yes; I am. But I am trying to find out what kind of bread he got out of that straight flour.

Senator LADD. I asked him the question if the straight flour in his judgment was what the average baker used, and if I understood him correctly, he said he thought it was.

Lieutenant Colonel COLEMAN. Yes.

Senator LADD. The average baker, as I see it, does not use patent flour that you and I may use in our homes as a rule.

Senator JOHNSON. Yes; I see. That brings up another situation, that if these big manufacturing and baking concerns are buying straight flour, and if they get it cheap, why is it that we, when we order a sack of flour, have to pay an enormous price for it if it is the same kind of flour? I probably am mistaken on this, but that is what I want to get out of the witness.

The CHAIRMAN. I suppose, Senator, one reason for that is that when the colonel buys his flour it is in very large quantities, and you buy a sack at a time; but the baker likewise buys his flour in the same large quantities that the colonel does, so he has the same advantage that the Army does. We can not expect to buy our flour a sack at a time at the same price and at the same rate it could be bought in carloads.

Senator JOHNSON. We expect that, but I don't want to see the difference that large.

The CHAIRMAN. Well, I wish it was not that large, also.

Senator JOHNSON. I think that is too much.

The CHAIRMAN. Maybe it is.

Senator JOHNSON. I think it is.

Senator RALSTON. Colonel, after baking, how long is the loaf of bread fit for use?

Lieutenant Colonel COLEMAN. Senator, that depends somewhat on the ingredients that go into the bread, as well as the flour of which it is made. Ordinarily, 24 hours.

Senator RALSTON. Yesterday, on a witness giving the difference between the cost of a loaf of bread in France and a loaf of bread in this country, a Senator suggested that bread was on the free list. It would be rather difficult for a French baker to compete with an American baker in the sale of bread if he had to ship it over here, would it not?

Lieutenant Colonel COLEMAN. Yes, it would.

Senator RALSTON. It would not be fit for use, would it?

Lieutenant Colonel COLEMAN. I don't think so.

Senator RALSTON. What I am getting at is this: The tariff would not have any effect on it.

Lieutenant Colonel COLEMAN. That is, you mean the commercial loaf of bread we are speaking of?

Senator RALSTON. Yes.

Lieutenant Colonel COLEMAN. No, it would not.

The CHAIRMAN. We are very much obliged to you Colonel.

STATEMENT OF SENATOR SMITH W. BROOKHART, OF IOWA.

The CHAIRMAN. We will be very glad to hear you now, Senator Brookhart.

Senator BROOKHART. Mr. Chairman, the matters I wanted to discuss were related to the cooperative system that many of the farmer propositions are organized under. I have examined the Norris-Sinclair bill and also the McNary-Haugen bill that was introduced yesterday.

The CHAIRMAN. The McNary bill I have not seen or heard about except in a very indirect way. That is the Administration bill, as I understand it.

Senator BROOKHART. Well, it is very different from the President's message.

The CHAIRMAN. Well, do you know? Is that intended as a substitute, or in place of the bill that we are considering?

Senator BROOKHART. I do not know about that. I have not learned.

Senator JOHNSON. I believe I can give the chairman the information. I am told that it is, that it was drawn under the direction of the Secretary of Agriculture.

Senator BROOKHART. That is my information, but however that may be, whoever it is does not make any difference.

The CHAIRMAN. Oh, no, but I wanted to find out what the facts were. Senator McNary is a member of this committee but he is not here, and I have not seen him since he introduced the bill.

Senator BROOKHART. The Senator knew but little about the bill himself. I have talked with him about it, and he had not examined it carefully. He had read the bill through.

The Norris bill proposes a complete system. Of course, it is a governmental system, not cooperative, but is quite well financed and, therefore, has the elements that might make it permanent. The McNary bill purports only to be an emergency affair, and I will be very strongly opposed to it in that form. We have had quite enough emergencies, as I see it. The time has come when we must permanently solve this agricultural problem from a business standpoint. My own feeling is that the permanent solution is the cooperative control by the farmers themselves in a general way, not in every detail, but in a general way, as farmers are controlling their affairs in Denmark. There they have cooperative organizations in the various commodities, but they are also federated together in a financing system. The great defect in all cooperative movements in America is that they provide no cooperative financing system. By "system" I not only mean banks of deposit but reserve banks, a complete financing system.

There is no difference in the producers' and the consumers' cooperative. Those who make that argument do not understand the principle of cooperation or else they are doing it for a purpose. The principles are exactly the same, and if provision were made in the Norris bill to change it ultimately to cooperation it can be very easily done by permitting the producers' and consumers' cooperatives to become members of this corporation on subscription of a certain percentage of cooperative stock.

Now, what is this cooperative stock, and what is cooperation as distinguished from other business? Three little bits of simple propositions tell the whole story, however complex the cooperative, because it is reducible at once to these three little principles. It is this: One man, one vote. Capital does not fit in the cooperative enterprise.

Second, the earnings of capital are limited. The usual rule is that they shall not exceed the legal rate of interest. In Great Britain the earnings of capital are 5 per cent. The earnings of capital in other businesses outside of cooperative business in Great Britain are less than they are in cooperative business. That is because the cooperative has proven more efficient when developed than competitive business and it has forced competitive business to narrow the spread between the producer and consumer and reduce the profits of capital in competitive business even lower than it is in the interest return of the cooperative business, and about, as I have the figures, something like 35 per cent of the manufacturing and merchandising of Great Britain is now in the cooperative business. They are the biggest institutions in the world. I found nothing

anywhere equal to the C. W. S.—Cooperative Wholesale Society—at Manchester. In every one of these cooperative organizations in Europe, where they have been a permanent success, where it is on anything like a permanent basis, it has its own cooperative banking system or credit system to sustain it. It receives deposits and does everything that a bank does, and then it has the overhead or reserve bank also in its control.

Now, who compose the membership of these organizations? I did not finish, I believe, my three principles.

The CHAIRMAN. No; you did not give us the third one.

Senator BROOKHART. Let us get that third one in and then we will have them all.

The third one is that the earnings of the enterprise over and above this fixed capital return are distributed back to the producers and consumers in proportion to the amount of business they do with the enterprise. That is, in the bank the producers and consumers are the depositors and the borrowers, and if we fix 6 per cent as the return that the capital invested in the bank will get, the net earnings over and above that is distributed back to the depositors and borrowers in proportion to the amount of business they do with the enterprise, except what may be set aside for reserve or surplus.

Now, this all started with a little store, and the hardest thing to start with and to make a success of it is the little store. The great system started with a store at Rochdale, England, and finally it succeeded after going through many hardships. Then another store in the neighborhood, seeing its success, started. Finally, several hundred of those stores started. Then they met together in a federation and established a wholesale, and the principles of that were exactly the same as the stores. The stores took all the stock in the wholesale. The stock did not vote. The stores voted in proportion to their memberships. The earnings of capital of the wholesale were limited the same as they were in the stores. Of course, in all these enterprises they reserve about 25 per cent of the net earnings and keep it in the business. That is not distributed to anybody. That is for growth and development. About 75 per cent of the earnings are distributed back under this third principle, to the stores, in case of the wholesale, in proportion to the amount of business the stores do with the wholesale. Then the stores, of course, distribute that profit on down to their members. The whole system from top to bottom finally works in favor of the individual membership, which has reached four and a half million heads of families in Great Britain at this time.

In the banking department the principle is not any different. The institutions have the right to receive deposits, and they have a right then to redeposit them up in the banking department of the wholesale, which becomes the great reserve bank and last year had a turnover amounting to two and a half billion dollars. It is one of the great banks of Europe.

Denmark got along with a private banking system up until 1908, and they had trouble and failures the same as we have had with cooperative enterprises in this country. Then they started the organization of their cooperative banking departments, and to-day the finest office building of the great city of Copenhagen is the farmers' cooperative national bank, which does a general banking business and is also the reserve bank of this system.

I could go around everywhere I visited and tell you the same story, but everywhere I went where these cooperative enterprises have reached anything like a basis of permanent success, they are sustained by their own cooperative credit systems.

Senator RALSTON. Right in that connection, Senator, may I ask if this committee or this Government has it in its power to reduce all business to the cooperative basis, would you advise it?

Senator BROOKHART. Yes, if it had that power. It certainly would be a big improvement over what we have now.

Senator RALSTON. We have the power to go part way.

Senator BROOKHART. Yes; but, Senator, our Government has not only not exercised any power to bring about cooperation, but has actually prevented it.

Senator RALSTON. Well, that is all right, now. I will not argue that with you. What I am trying to get at is what your judgment is as to the soundness of this theory that you suggest. If it is a sound theory, then it follows that we ought to take steps to do whatever is necessary to inaugurate in this country, not in part, but in whole, the cooperative principle.

Senator BROOKHART. Right you are, Senator. That is exactly what I think.

Senator RALSTON. Would you advise that all business of this country, the grocery business, dry-goods business, and everything should be reduced to cooperative enterprise?

Senator BROOKHART. Not by force of arms.

Senator RALSTON. I do not mean to call out the Army.

Senator BROOKHART. But by giving permissive laws and credit laws and everything that could be used.

The CHAIRMAN. You would leave it to voluntary action?

Senator BROOKHART. I would leave it to voluntary action, and this Norris-Sinclair bill forms a wonderful skeleton around which it can be started, and I think there are the strongest reasons why the Government should help in the starting of it in this big national way which I can mention if I have the time.

Senator JOHNSON. Senator Brookhart, I want to know what you found out about these cooperative concerns that, of course, I have read about. Do they control their factories that they buy from? Do the control them?

Senator BROOKHART. Let me see. I have here a detailed description of their factories. [Reading:]

The English Cooperative Wholesale Society now embraces 1,209 societies. The Scottish Wholesale (organized in 1868) embraces 272 societies. The Irish Agricultural Wholesale Society (organized in 1897) is composed of both agricultural selling societies and consumers' societies. The English and Scottish Wholesalers have $120,000,000 capital, did a business in 1920 of $675,000,000, and have 48,000 employees. In 1921 and 1922 the turnover showed a decrease on account of falling prices and unemployment.

The English C. W. S. has 116 factories and productive industries. An idea of the extent of production may be had from the following list of manufacturing enterprises.

There is more than a whole page in that list of factories. They are all big factories. They have the largest flour mills in Great Britain. There are 11 flour mills operated by the C. W. S. They

have the largest automobile factory in Great Britain. They make 4,000,000 pairs of shoes a year. They have their own coal mines. They have their own ships, and this banking department, as I have already said, had a turnover of two and a half billion dollars.

Senator JOHNSON. In that respect did the English Government assist them?

Senator BROOKHART. The English Government has for the most part been hostile to it. This new Government, Ramsay McDonald, will be the first friendly Government they have ever had. They have been given permission, however, to go ahead.

Senator JOHNSON. Are you familiar with what attitude the Government of Canada took toward the United Grain Growers in that section that has been so successful?

Senator BROOKHART. Very friendly, and the Canadian Government has encouraged cooperative movements. So has the Austrailian Government, and so has the New Zealand Government, and all of the English Governments have been helping cooperation more than the Government of Great Britain itself.

The CHAIRMAN. What about Denmark in that respect? The Government assisted the cooperatives, did they not?

Senator BROOKHART. The Government of Denmark is in the hands of the farmers. They elect the Parliament and they control the cabinet and ministry. They have always had sympathetic help from their Government and their growth and development on that account has been much more rapid than it was in Great Britain. Nearly everything is organized cooperatively among the farmers of Denmark. In fact, I thought it was the only country in the world where the farmers were getting something like a square deal. They have cooperative creameries and egg houses. They have 46 cooperative packing houses. I visited some of those. They are the most efficient packing plants in the world, except some over in Ireland, and their products are worth an average of 6 per cent a pound more on the market in England than the products of the United States, largely because they are better prepared and more efficiently handled.

The CHAIRMAN. These packing houses you speak of—are they in the meat business?

Senator BROOKHART. They are packing pork and beef and everything that any packing house packs. I visited the largest one, which has an investment of about $500,000, controlled by the farmers, operated by the farmers, and they are trained and expert in their duties. The managers of their plants are as efficient as they can be and well trained in every way.

The CHAIRMAN. There is one thing right there I want to ask you about, Senator. It is always claimed in this country that in order to get anything of that kind we must pay immense salaries like those that are paid in private business. What about the salaries of those cooperative managers who have responsibility for the successful operation of those plants?

Senator BROOKHART. I met Mr. Robert Stuart at the Glasgow convention. He presided over the convention. He is manager of the Scottish Wholesale Society, which is a bigger institution than any privately owned wholesale organization in all the world. His salary is £500 a year.

The CHAIRMAN. Reduced to our money, that is how much?

Senator BROOKHART. About $2,500. Perhaps $4,000 in purchasing power.

I went down to Manchester and I met Mr. Thorpe, the manager of that great wholesale society, three and a half times as big as the one at Glasgow. The manager of all those 116 factories—there are nearly 130 of those factories now; that book is not quite up to date. All those factories come under his management. He has all the duties that any manager has, more than any other man in the world, and many more than any man in this country. He is a type of business man equal to any business man in this world. I have not met his equal anywhere. He is proud of his achievements, proud of his work. He would not change places with any business man in this world, because he feels that he has accomplished something in the economic solution of the affairs of the world, and his salary is £850, probably less than $6,000 in purchasing power.

Senator RALSTON. Take a town in which there are persons engaged in the same industry? Are they all under one management?

Senator BROOKHART. Yes. Go into Manchester and they have many stores. Each store has its individual manager, you understand, but they are all members of this wholesale.

Senator RALSTON. Take a country where the stores are spread out through the country. Are they all under one management?

Senator BROOKHART. They are all in this one wholesale. There are 1,200 societies, and some of those societies have as many as 300 stores in one society.

Senator RALSTON. There may be two societies, then, engaged in the same line of industry—two or more?

Senator BROOKHART. No; there would not be any competition.

Senator RALSTON. That is what I wanted to get at. Is the element of competition absolutely eliminated?

Senator BROOKHART. It is entirely eliminated. You go into that wholesale and see the buyers come in there, and it is a wonderful thing.

Senator JOHNSON. Senator Brookhart, what connection had the farmers in England with this cooperative wholesale society?

Senator BROOKHART. Well; I went to the farmers first when I landed in London and I found the farmers cooperative just beginning in England. At that time they had a commission in Denmark studying cooperation amongst the Danes, and when I got over to Denmark I found that 40 years before the Danes had sent a commission to England to learn cooperation from the English laborers, and it is just going around the circle, and the farmer is just coming to the cooperative in England now.

Senator RALSTON. There is another thing I wanted to ask you. I was not quite through yet.

Senator BROOKHART. Yes; I thought so.

Senator RALSTON. You take two stores in this system, one located in a section of the country where labor and material can be had at a much lower rate than at some other point in the same country where there is another store, don't those two stores make a difference in the price?

Senator BROOKHART. Oh, yes.

Senator RALSTON. Do they make a difference in the price, or do they distribute that extra cost among themselves and fix the price of the article the same in different sections of the country?

Senator BROOKHART. No. They consider all the normal rules of price fixing. They don't make arbitrary prices. The cost of production is figured up and very accurately figured up.

The Department of Commerce has assisted me in all these investigations. Mr. Hoover's representative in Europe told me the most accurate information they got was from the cooperatives.

The CHAIRMAN. As I understand it, carrying that question just a little further, these retail stores are in competition with other stores not in the society?

Senator BROOKHART. Oh, yes; all the time.

The CHAIRMAN. And they do business just the same as competitive stores?

Senator BROOKHART. Yes, sir.

The CHAIRMAN. They don't try to undersell them; they get their benefit by the redistribution of the profits that eventually come back to the fellows that do business with the stores?

Senator BROOKHART. One of their principles of transacting business is that they will sell at the current market price. Now, Senator, if you have complete cooperation, such as Senator Ralston suggested a while ago, that rule would not obtain. Then the cost of production would have to displace it, because there would be no current market price about it.

Senator CAPPER. Is the Rochdale system the basis of practically all the cooperatives?

Senator BROOKHART. In all of the 15 countries I visited I saw no difference in the cooperative idea as developed; that is, in principle; they would differ in detail, but the principle is the same everywhere.

Senator JOHNSON. We tried their Rochdale system in this country. We had it in several States, and it went to pieces. We tried it absolutely on the same plan.

Senator BROOKHART. I will have to slightly contradict you, Senator, because I think it has never been tried on its real merits in this country.

The CHAIRMAN. I am sorry that Senator Johnson went out. I wish he had remained here to hear that.

Senator LADD. It is true that in Denmark the cooperatives had the same kind of difficulty as we have had until the farmers got control of the Government themselves?

Senator BROOKHART. Until they got control of the Government and control of finance.

Senator LADD. That is what they informed me over there, that it took 30 years to educate the public and to frame laws that were satisfactory.

Senator BROOKHART. That is quite true.

Senator CAPPER. Control of finance is probably the keynote.

Senator BROOKHART. It is the keynote, Senator. We are in a situation of financial slavery in the United States. We can not organize a cooperative bank if we want to. These so-called cooperative banks are not cooperative. They are corporations operated under cooperative by-laws.

I want to quote to you some authority on this. This is Myron T. Herrick, who is one of the biggest bankers of the United States. He says, on interest:

> But the figures have grown rapidly within the last 20 years and show that the debt is increasing at an accelerating rate and that farmers are paying a higher rate of interest than is justified by the securities which they can offer.

Then he says:

> Furthermore, the shortest period needed for agriculture is too long for the banks, and so the 90-day paper of the merchant gets the preference over the six months or one year paper of the farmer. As a result, the major portion of the farmers' credit is not bankable under the present system, and only a comparatively small amount of their paper reaches the outside world. Consequently, when they wish to realize upon their credit to its fullest extent, the farmers must pay a premium for the risk incurred besides the highest interest charged in their immediate vicinity. A new system to be added to the old is necessary to rectify this trouble also, in spite of powers recently granted to national banks by the Federal reserve act of 1913.

The CHAIRMAN. Senator Johnson made a statement just as he left the room. I wish for the record you would tell the committee what you have to say with regard to the claim that the Rochdale system was tried here and was a failure.

Senator BROOKHART. The Rochdale system has only been tried piecemeal in certain integral parts in this country. It has never been tried as a completed system with its cooperative credit system. Like the early history of Rochdale in Great Britain, it failed here up to date in a great many instances. But if the farmers will organize and labor will organize a cooperative credit system, and then, with that as a basis, develop these other enterprises, properly financed and efficiently managed, there is no reason why it should not have greater success here than in any other country in the world.

The CHAIRMAN. I would like to ask you another question, Senator, on this bill which we have under consideration. It really was intended, or at least I have always had the idea in mind, but for various reasons I thought it best not to put it in the bill, that ultimately, if the bill were enacted into law in corporation form, we will be able to amend it so as to in effect turn it over to cooperative organizations, and in the end let them have it entirely. Now, have you any suggestions? I judge from what you have said that you likewise have that idea of the bill. Have you any suggestions with regard to any amendment that we ought to put on it now?

Senator BROOKHART. Well, it might be amended so that cooperative organizations could become members of it by subscribing capital, so that in that way they might ultimately absorb it, and that would increase the capital, and then when they have subscribed enough capital and it is paid in, they can take control of it.

The CHAIRMAN. I don't know but that would scare certain fellows away from it if we tried to do that now.

Senator BROOKHART. That might be true, but that is sound in theory.

The CHAIRMAN. Yes; I agree with that. I had that idea in my own mind, but I was afraid to put it in the bill, because there has always been opposition enough to kill it and probably may be again.

It may be that I am entirely wrong, but they do object to anything like that. That is something we can ultimately come to.

Senator BROOKHART. If the cooperatives, by subscribing to stock, could aid in its financing, would that not add support to it rather than take it away?

The CHAIRMAN. That may be.

Senator BROOKHART. That is worth considering, anyway. I am introducing my banking bill to-day, and it will probably go to the Committee on Banking and Currency and they will get at that from the other angle.

I would like, with your permission, to put in the record just one chapter, the chapter on "Cooperation in many lands," from "Cooperative Democracy."

The CHAIRMAN. All right, Senator. Just hand it to the stenographer.

(The excerpt referred to is here printed in full, as follows:)

COOPERATION IN MANY LANDS.

GREAT BRITAIN.

Many factors have contributed to the success of British cooperation. The Rochdale Pioneers were by no means a lone and isolated experiment. First there were the many societies that preceded them and whose mistakes and successes taught them much. Dr. William King, a physician of Brighton, from 1828 to 1830 published a little magazine, The Cooperator, in which he set forth and formulated a philosophy of cooperation and the methods necessary for success. If anyone can be designated as "the father of British cooperation," it is he. He said, "Cooperation is a voluntary act, and all the power in the world can not make it compulsory; nor is it desirable that it should depend upon any power but its own." Robert Owen during the first third of the nineteenth century did much to teach the workers self-help; he labored for the abolition of the profit system. A small group of religious men, the Christian Socialists, contributed much to the idealism of the movement. Among them were men of wealth and influence who were instrumental in promoting education and favorable legislation. Charles Kingsley, a clergyman, and John Stuart Mill, the eminent economist, were among these. Later came E. Vansittart Neale, a lawyer, who rendered great practical service.

The need of federation of societies was soon felt. A congress of cooperative societies was held at Birmingham in 1831, and others in London in 1850 and 1855. The congress of 1869 at London, with Thomas Hughes, Member of Parliament, as president, grew into the Cooperative Union. The union was created as a federation of societies for education, propaganda, and protection. Practically all of the societies in Great Britain are now members. The union holds annual congresses. It may be regarded as the soul of the British movement.

Following the Rochdale period, while some few societies in Great Britain failed, the movement as a whole went from success to success, growing annually in volume and strength, developing from retail to wholesale, from domestic to foreign supplies, from merely buying together to manufacturing, from the production for material needs to such services as banking, building, and insurance, from a capital of a few pounds to hundreds of millions.

To-day the cooperative societies in Great Britain have a membership of nearly 5,000,000 families; this means one-third of the total population. For the past 40 years the membership has made an average increase each year six times more than the population has increased.

The 1,211 retail distributive societies which are members of the Cooperative Union of Great Britain distributes over $1,000,000,000 worth of commodities to their members annually. The "profits" or, more properly speaking, the surplus savings, amounted to $125,000,000 during the prosperous year 1920. Of this amount, saved in that year, $65,000,000 were returned in cash to the members in the form of "dividends," or saving returns. In addition to this, the members have free life insurance and many other benefits. At the beginning of 1921 the retail distributive societies had $400,000,000 capital and 140,000 employees whose wages amounted to $100,000,000.

Attempts at wholesaling had been made in 1831 and again in 1850, but these did not succeed. The time seemed not ripe. Then the influence of the Rochdale Pioneers created the present Cooperative Wholesale Society (the C. W. S.) in 1863. This now represents the economic side of the movement, and has become the greatest distributive business in Great Britain.

The English Cooperative Wholesale Society now embraces 1,209 societies.

The Scottish Wholesale (organized in 1868) embraces 272 societies. The Irish Agricultural Wholesale Society (organized in 1897) is composed of both agricultural selling societies and consumers' societies. The English and Scottish wholesales have $120,000,000 capital, did a business in 1920 of $675,000,000, and have 48,000 employees. In 1921 and 1922 the turnover showed a decrease on account of falling prices and unemployment.

The English C. W. S. has 116 factories and productive industries. An idea of the extent of production may be had from the following list of manufacturing enterprises: Butter and cheese factories (London, Brislington, Carlisle); bacon factories (Tralee, Herning); vinegar and yeast (Middleton, Clayton); tea blending and coffee roasting (London, Manchester); cocoa and chocolate factory (Luton); biscuit and confectionery (Crumpsall, Cardiff); preserve works (Middleton, Hull, Reading, Acton); soap works (Irlam, Silvertown, Dunston); flour mills (Manchester, Dunston, Silvertown, Oldham, Avonmouth, Sowerby, Slaithwaite, Hull); provender and oil cake mills (Liverpool, Bristol); oil mills (Liverpool); tobacco factory (Manchester); lard refineries (Irlam, West Hartlepool); pickles (Middleton, Reading); margarine works (Irlam); printing, lithography, and bookbinding works (Manchester, Warrington, Reddish, Leicester, Pelaw); rope and twine works (Patricroft); coal mine (Shilbottle); woolen weaving factories (Batley, Bradford, Buckfastleigh, Littleborough, Delph, Diggle, Dobcross); hosiery factory (Huthwaite); corset factories (Desborough, Bristol); shirt factories (Broughton, Sheffield, Pelaw, Cardiff); woolen mills (Batley, Bradford, Buckfastleigh; cotton weaving factories (Bury, Chorley, Radcliffe); clothing factories (Manchester, Sheffield, Birmingham, Kettering, London, Leeds, Crewe, Hebden Bridge, Pelaw, Brislington, Cardiff); boot and shoe factories (Leicester, Derby, Enderby, Kempston, Wellingborough, Norwich, Bristol, Heckmondwike, Leeds, Rushden); canneries (Heckmondwike, Grappenhall, Street); furniture and cabinet factories (Manchester, Birmingham, Pelaw, Bristol); brush and mat works (Leeds); automobile works, Manchester; iron works, motors, and bicycles (Birmingham); cutlery factory (Sheffield); scales and weighing machines (Manchester, Birmingham); saddlery and harness works (Manchester, London, Bristol, Newcastle, Cardiff); trunks and bags (Newcastle); picture framing (Newcastle); china and pottery works (Longton, Rotherham, Nottingley); sawmills (Manchester, Salford, Wymondham); glass bottle works (Manchester); bucket and fender works (Dudley); tinplate works (Birtley); paint and varnish works (Rochdale).; drugs and chemicals factories (Pelaw, Silvertown).

The supplies produced in these plants in 1921 amounted to $150,000,000 (£32,000,000).

Besides the above factories, the C. W. S. owns 33,000 acres of farm lands in England. Several of its farms and three, four, and five thousand acres. It owns 10,000 acres of wheat land in Canada. Jointly with the Scottish Wholesale it owns also 35,000 acres of tea plantations in Ceylon and India. The tea plantations employ over 10,000 people. These two societies are the largest importers of tea, grain, butter, sugar, and dried fruits in Great Britain.

It has palm-olive estates in West Africa. It owns its own steamships. It has its own fishing fleet. It has purchasing offices in the large commercial centers in every part of the world and depots in various European countries, North America, Africa, and Asia. It is the largest single purchaser of Canadian wheat in the world. Its flour mills are the largest in Great Britain.

The banking department of the C. W. S. had a turnover of $2,500,000,000 in 1922. It carries the accounts of 1,026 cooperative societies, 7,748 trade-unions and friendly societies, 2,698 clubs and other mutual organizations, and 3,794 individuals. It is next to the Bank of England in fiscal importance. Its growth is steady.

One-half of the industrial life and accident insurance in Great Britain is written by this cooperative society. Its life insurance business is carried on at a cost of one-fourth of that of the profit-making companies.

Its social work embraces most every branch of human service; it serves not cooperators alone but is of wide public benefit.

The Scottish Wholesale performs services similar to those of the English C. W. S. It is the greatest distributive business in Scotland. Its factories at Shieldhall, where 30 different industries are carried on, are models of efficiency.

The Irish cooperative movement is primarily agricultural. The cooperative creameries, agricultural societies, and credit unions have practically regenerated Irish rural life. The consumers' movement is growing up among the farmers as in Denmark.

British cooperation has always been regarded as conservative. It has never been connected with the socialist movement nor subjected to socialist influence. Its recent cooperation with the labor party has been forced upon it by the reactionary and destructive policies of the other parties.

The outstanding feature about this voluntary association of consumers in the British cooperative movement is its great and continued success extending over nearly a century. This success is alike in retail distribution, in wholesaling, and in manufacturing. It remains even in its present prosperity, as it began, an enterprise essentially of the wage earners.

BELGIUM.

Belgium cooperation got its inspiration from England about 1880. The leaders—De Paepe, Anseele, Bertrand, and Vandervelde—not only were interested in establishing cooperative societies but in using cooperation as a means to unite the workers' political and trade-union movements. The cooperative store, Anseele said, was a "fortress to bread." The close union between the cooperatives and the socialists does not mean that the latter have captured the former; as a matter of fact, the cooperatives are the more dominant influence and the socialist movement may be said to have been captured by them.

The cooperative movement in Belgium is peculiar. It began with bread bakeries instead of stores, and it has given special attention to social development rather than to the paving of savings returns. The surplus savings are used largely for doing for the members of the cooperative societies what the socialized state would do. Old-age pensions, life insurance, insurance against sickness and unemployment, maternity benefits, and medical and nursing care are provided. Those beautiful buildings in Belgium called "the houses of the people" are owned by the cooperative societies. These community centers are used for meetings, dramatic presentations, schools, and recreation. About some of them are parks where fine music is rendered, mothers sew, fathers talk, and children play. The Belgian societies are schools where the members are taught art, history, economics, and temperance. The "Maison du Peuple" in each district is the symbol of the triple alliance of the cooperators, socialists, and trade-unionists—three movements which in Belgium have grown, trained, and organized together.

Far from being wiped out by the war, the cooperative movement in Belgium continued to progress despite its losses. In 1919 its total membership was 350,000. The business done by the Belgian Wholesale in 1920 was 51,000,000 francs and in 1921 it was 66,000,000 francs. In the "Vooruit," the pioneer Belgian society in Ghent, during the first year of the war there was a large increase in membership and a turnover of 5,000,000 francs. This is an increase in business of more than 1,500,000 francs over the last year of peace; 250,000 francs were added to the "provident fund," to be used for disablement, sickness, emergencies; also for science, art, and grants to students. The new Festival Palace was opened in 1915. The Wholesale has a variety of manufacturing enterprises. In 1922 its turnover was 72,400,000 francs, an increase of 44 per cent over the previous year.

The peasants' league, "Boerenbond," with its credit banks, has a membership of 1,222, and a turnover of 60,000,000 francs. Its loans and its distribution of seed, fertilizers, and food do much to promote the economic morale of the rural population.

The granting of a credit of 3,000,000 francs by the British and Scottish wholesales in 1918 helped to rehabilitate the Belgian wholesale and proved the international solidarity of cooperation.

The war had the effect of greatly stimulating the cooperative movement in Belgium. The Society of Liege before the war was small and weak. It now has around 70,000 members. It has 250 branch stores and 80 recreational and educational centers. It owns a hat factory, a confectionery factory, a chocolate factory, and some 20 bakeries.

The Belgian Insurance Society (La Prevoyance Sociale) in 1922 had insurance on the lives of 132,000 members, and fire insurance on 74,000 houses. It is steadily expanding.

The Belgians have recently gone into cooperative fishing. A dramatic incident of the 1922 British cooperative Congress was a wireless message received by the Belgian delegates, sent from the commodore of the Belgian cooperative fishing fleet. This fleet of seven substantial fishing boats carries radio equipment. The message read: "The crew of the trawler *Edouard Anseele* en route for the Scottish coast sends its first wireless message of thanks and best wishes for the success of the Congress."

FRANCE.

During most of the eighteenth century the French working class sought for a solution of their economic problem at the point of production. They hoped for the political socialization of the means of production or for its control by the organized workers. The earliest distributive cooperative society of which record is found was established in Lyons in 1835; the next was the "Ruche Stepahoise" of St. Etienne, established in 1855. The progressive sentiment that swept through Europe in 1848 expressed itself in the formation of productive societies in France, but did little for cooperation. Cooperation may be said to have begun at Nimes in 1885 when a small group consisting of de Boyve, Fabre, and some workingmen started the consumers' movement. Prof. Charles Gide joined this "school of Nimes," and in the course of time clarified and described the principles of cooperation. Indeed, Professor Gide has done more than any other man to impress upon French thought the true meaning of this subject. For a long time the cooperators and socialists failed to harmonize. But finally in 1912 the two groups were brought into accord and a united French movement was established. Since that time there has been steady and constructive progress.

There are now over 4,000 distributive societies in France, with a total membership of about 1,500,000. In 1920 their total turnover was 1,500,000,000 francs. In 1914 the turnover was one-fourth of this amount. About one-half of the societies belong to the National Federation of Consumers' Societies (Federation Nationale des Cooperatives de Consommation). The federation comprises 55 district societies, which have 2,291 affiliated societies, with 1,360,770 members. The movement is steadily growing. The largest single society is "Bellevilloise" in Paris, with 15,167 members in 1921.

The Cooperative Wholesale (Magasin de Gros des Cooperatives de France) in 1913 had a turnover of 12,000,000 francs; by 1920 its turnover had reached 166,000,000 francs. In 1921 the turnover was 153,000,000, although the amount of goods handled was larger than in 1920. It is composed of 1,600 societies. In 1921 it had 13 grocery warehouses, 5 wine warehouses, 3 shoe factories, 3 canning factories, 1 chocolate factory, an underclothing factory, a coffee roastery, and a sawmill. The wholesale employs 1,300 persons. The banking department of the wholesale was constituted an independent bank of French cooperative societies in 1922. It is increasing its business over 100 per cent each year.

A significant development in the French movement was the amalgamation, in 1920, of two large cooperative federations of Paris. The new society maintains 300 establishments, comprising grocery stores, 80 butcher shops, restaurants, cafes, pharmacies, etc. The membership of 55,000 represents more than 200,000 consumers, and with the addition of the nonmember patrons, half a million consumers supply their wants at these stores. The turnover is conservatively estimated at 90,000,000 francs annually. Their subscribed capital is more than 5,500,000 francs.

French rural loan banks play an important part in the French cooperative movement, providing capital for individual agricultural and manufacturing enterprises. They have always relied to a great extent on state loans, more than half of their deposits coming from this source.

During the war the French cooperative movement had at least one-third of its stores situated in the districts within the war zone. Those stores that were not destroyed by gunfire were cut off from fresh supplies, owing to transportation difficulties, and in many instances abandoned. Those that remained standing were frequently used as places of refuge. (See Cooperation in Time

of War, Book I.) The Federation of French Distributive Societies did valiant relief work. It opened cooperative restaurants for war workers, and opened municipal kitchens, selling at 20 per cent below market rates; it created workshops for the unemployed, and regulated the distribution of commodities. This work prevented the rise of prices and assisted in fixing maximum prices.

Parliament in 1917 passed laws favorable to the cooperatives, and authorized 2,000,000 francs of credit to cooperative societies. Since then 10,000,000 francs have been loaned by the Government for rebuilding the cooperatives in the invaded sections.

ALGERIA, TUNIS, AND MOROCCO.

The French federation has carried its educational work into northern Africa since the war, with the result that a steadily growing movement is now established in the French colonies.

GERMANY.

In contrast with England, Scotland, Russia, and Belgium, Germany had the beginning of its cooperative associations outside the wage-earning class. The Germany of 1850 was essentially a land of production on a small scale, of peasant farmers, craftsmen, and little independent tradesmen. The cooperative bank in Germany was its first form of cooperation. The consumers' movement was retarded by the Socialist teaching that "any reduction in the cost of living brings with it an equal reduction in the rate of wages." This fallacy had a profound influence on German thought for 50 years, and directed the working people into politics and profit-sharing enterprises. The oldest distributive society seems to have been at Neustadt, in 1864. But it is only since the last decade of the nineteenth century that the movement has made great progress.

In most of the essential features, the German and British movements have become identical—democratic control, membership open to all, and distribution of savings returns based on the amount of purchase. Previous to the outbreak of the war, civil-service employees, and these form a large portion of the working class, were prohibited by the Government from joining these "revolutionary" cooperative societies. Since the revolution in 1918 these restrictions have been removed. Working-class cooperative stores have steadily increased in number. The reputation which the cooperative movement has won as the protector of the economically weak has proved of the greatest value to the masses of the German people who are placing, to an ever-increasing extent, their confidence in cooperation. Under the Kaiser, restrictive laws, coercive regulations, exceptional vindictive taxation, and commercial discrimination in favor of private competition were all formerly directed by the State against the consumers' distributive societies. This was in sharp contrast with the policy of favoritism and State aid shown by the Government toward agricultural cooperation.

Cooperation in Germany has an even closer relationship with the trade-union movement than exists in Great Britain. A larger percentage of the membership also is found in the big cities and industrial centers than in England.

The difficulties confronting the German cooperative movement since the armistice have seemed almost insuperable. The purchasing power of the mark fell to a small fraction of its normal value, so that importations could not be made to replenish the scanty stocks of the cooperatives. Prices of goods advanced enormously. The railway system was crippled. Taxation became oppressive. In spite of all the difficulties the membership and trade of societies has more than doubled since 1914.

Consumers' societies, however, had become sufficiently numerous in 1903 to unite to form the German Cooperative Union (Zentralverband deutscher Konsumvereine) which grew out of a split over economic questions. The Cooperative Wholesale (Grosseinkausgesellschaft deutscher Konsumvereine) was founded in 1894. Banking, distribution, and housing have steadily developed, especially during the past 20 years.

The membership of cooperative societies in Germany now represents one-third of the population. Twenty-five years ago it represented only one-thirteenth. The Central Union of Consumers' Societies now embraces over 1,350 of the 2,400 cooperative societies. Its total membership increased 58 per cent during the war. Since the war its growth has been even greater. In 1920 it had a membership of 2,714,109. In 1923 it has 3,162,000 members and 8,066 stores.

The following figures show the membership of all consumers' societies within and without the union:

1903	800,000	1919	3,200,000
1910	1,448,015	1920	3,400,000
1915	2,298,071	1921	3,800,000
1916	2,800,000	1922	4,500,000
1918	2,853,120		

In addition to these consumers' societies there are 19,261 cooperative banking societies, 3,300 societies of agricultural workers, 2,131 home-building societies, and various other cooperative societies, which make a total of 40,000 such organizations. The turnover of these societies, the business of the wholesale and the banking deposits are all very large.

The Central Agricultural Loan Bank of Germany at the beginning of 1922 had 68 branches with 750 employees. The shareholders include 5,757 Raiffeisen banks.

Cooperation in Saxony, as though to retaliate for governmental abuse in the early days, now has 150 societies, with 700 stores, 160 of which are in Dresden. The German Wholesale was organized in Saxony in 1901, and in Saxony established its first industries. Now more than one-half of the population are supplied by the cooperatives.

The Consumers Building & Savings Society "Produktion" (the consumers' society in Hamburg) is an example of one of the best German societies. It started with 700 members in 1899. At the beginning of the war it had 80,000; now has over 130,000 members. Nearly one-half of the people of Hamburg are supplied by it. With production as its ultimate purpose, it already has the following productive enterprises: The largest bakery in northwest Germany, a big slaughtering and meat-packing plant, preserves and canning works, coffee roastery, mineral-water bottling establishment, foodstuff factory, furniture factory, woodwork and frame factory, tinware factory, and a brick factory. It owns 1,000 acres of land. It has 275 stores, 40 automobiles, 100 wagons, 30 barges, and 2 tug boats. It has 53 dwelling sites containing over 1,000 dwellings. It carries on a large banking and insurance business for its members. The motto of this society is "All by the people and for the people."

The Berlin society, with headquarters at Lichtenberg, is similar in size and character to that in Hamburg.

The Grosseinkaufsgesellschaft ("G. E. G.," the German C. W. S.) is steadily increasing in membership and business. In 1922, it had 1,026 member societies. The number of persons employed, in 1920, was 2,427; in 1921 it was 3,139.

The motto of the German Wholesale is "Production for the organized consumers." Some of its factories are the best and the most beautiful in the cooperative world. These include soap factories at Groba and Dusseldorf; weaving and clothing factory at Oppach; macaroni factory, wooden-box factory, and mustard factory at Groba; match factory at Lauenburg; brush and broom factory at Schwanheide; cigar factories at Hamburg, Frankenberg, and Hochenheim; cigarette factory at Stuttgart; tobacco factory at Nordhausen; textile factory at Oppach (Saxony); and candy and chocolate factory at Altona. At Hamburg are also a coffee-roasting department, a spice mill, wine cellar, coffee, cocoa, and spice-making industries. At Groba are also a coffee-roasting industry, and coffee and cocoa packing. A Manheim are coffee roasting, and tea and coffee packing.

The Wholesale has 10 warehouses. It has also a timber industry, a factory for shop-fitting and furniture, machine shops, and other industries. Its fish-packing industry at Altona employs over 100 persons. It carries on a large banking and insurance business for its members. Its commercial art department is unique.

The central office of the Union in Hamburg has a printing establishment which employs 500 people, and is one of the largest and most perfectly equipped printing plants in Germany.

The Wholesale, acting as the banking department for the movement, puts aside capital for reserve, benevolent, pension, and insurance funds. Highly effective uses of these funds are in operation. Offices for the foreign-trade division and warehouses are maintained in Hamburg for foreign and domestic purchases, from which port distribution is made to the thousands of stores through their headquarters in various cities. A spirit of industry and fellowship is apparent throughout the entire Union and Wholesale, a condition showing

that the cooperative feeling is a fact within the organization and not simply a business theory.

The progress of this German movement during the great war and 5 years of blockade proves the indestructibility of the idea of the Rochdale pioneers in the face of stress, and gives assurance of new times coming, when, in the words of the German cooperators at the Nurnberg Congress in 1917, "This wholesale murder and this continued destruction of the work of civilization shall cease. Larger and larger grows the number of those who in their hearts have realized the truth of the old German cooperative motto 'Cooperation is peace.'"

The scientific efficiency which has become characteristic of the German people is being applied to the cooperative movement to a greater degree than in any other country in the world. German cooperation is making use of every sort of technical expert. The high class of talent for organization and genius for administration, which in the United States finds its way into capitalistic business, in Germany is to be found more and more in the cooperative movement.

While in many other countries the cooperative societies are taking an increasing interest in politics, in Germany the opposite is coming to pass. The cooperative congress of 1922 passed resolutions favoring political neutrality, which means nonparticipation in politics. The German Wholesale report (International Cooperative Bulletin, June, 1922) contains these significant words: "The year 1920 witnessed the beginning and 1921 the completion of the liberation of Germany's economic life from the shackles of State control. We have always held that cooperation can not develop under bureaucratic oppression, but must have complete freedom."

One of the significant manifestations of the trend in Germany is seen in the fact that political municipalities are joining cooperative societies. Among these recently are the towns of Geestemund, Lehe, and Rustringen, which have become members of the local consumers' distributive and banking society. Some of these towns have their fire insurance and banking transferred to the cooperative society. The people are seen turning to cooperation as the political and economic machinery fails to serve.

AUSTRIA.

The movement in Austria has had its greatest growth during the present century. Austria now has a population of only 6,000,000. The cooperative societies have nearly 2,000,000 members.

Up to the period of the war the cooperative credit societies had twice the membership of other forms of cooperatives. They were of valuable assistance in financing the agricultural societies. The next largest class was that of the various types of agricultural societies; but during the last few years, and especially since the war, distributive societies have shown the most rapid growth.

The movement in Austria has passed through war, the blockade lasting five years, and finally the dismemberment of the nation. Austria is a mutilated trunk. Its societies were torn apart by the "peace treaty." The people were deprived of the necessities of life. The cooperative movement, which was so well developed among the German people, has been separated into a half dozen foreign countries. Still cooperation has become a greater power than ever before in Austria.

The Union of German-Austrian Distributive Societies has attained to its greatest success in the post-bellum Austria. Before the war it was the Central Union of Austrian Consumers' Societies. Dr. Karl Renner, its president, became Chancellor of State in 1918 and was one of the peace envoys at St. Germain. The membership of its affiliated societies in 1923 was over 600,000—three times greater than at the beginning of the war. It has 97 societies with 704 stores. The Austrian Wholesale has a shoe factory, a textile factory, a shirt factory, and a large shoe-repairing plant.

Over one-third of the population of Austria are served by the cooperative societies.

The Cooperative Society of Vienna has a membership of over 150,000 heads of families. It has 144 distributive stores. The number of employees are 1,627. The society has 172 dwellings which it rents to members. Among its various departments are carpenter shops, locksmiths' shops, blacksmithy, saddlery, laundry, bakery, dairy, coffee roastery, and wine cellar. The Vienna society has joined with the municipal government to distribute fuel and is now the largest distributor of coal in Austria. It has also united with the city government to distribute meat. Its shoe-repairing department is the largest in Europe. The Vienna society provides for more than half of the population of the city.

In Austria is seen the gradual evolution of cooperative society in the presence of the decaying state.

HUNGARY.

The cooperative movement in Hungary developed along with that of Austria. Agricultural and credit societies were organized first. Then the industrial workers organized. The movement had become well developed before the war; and it grew during the war. After the war, the government which the allied nations established in Hungary discriminated against consumers' cooperation. Some stores were destroyed and the leaders imprisoned.

"Hangya" (the Cooperative Wholesale Society of the Federation of Hungarian Farmers) thrived both before and after the war. The total membership of its societies, in 1914, was 190,000; in 1922, it had increased to 900,000. It has 1,945 affiliated societies. With the exception of 50 industrial workingmen's societies, nearly all the other members of "Hangya" are farmers' societies. Its largest member society is "Haztartas" in Budapest, which has 77 retail stores which supply 20 per cent of the inhabitants. "Haztartas" has 37,000 members; its slaughterhouse kills 1,600 cattle yearly; it has a large shoe-repairing business; it manufactured 1,117 beehives in 1921, and distributed 2,000 liters of milk daily; the society owns vegetable and fruit gardens and a factory for preserving fruit. The Wholesale of "Hangya" has two flour mills, a soap factory, a candy factory, a chemical factory, a brush factory, a rope factory, a match factory, a cutlery factory, and a distillery. The "Hangya" has received products from the factories and fishing stations which it operates as far away as Sweden, Norway, and Holland. Its new central warehouse covers 8,000 square meters of land. It is controlled by a conservative element which is opposed to the fundamental evolutionary character of cooperation. It is in favor of a protective tariff and other capitalistic measures.

The General Distributive Society of Budapest, with about 162,000 members, is the largest consumers' organization in Hungary. Despite the troublous times, its two largest warehouses serve the members in 66 grocery stores, 36 butcher shops, dry-goods stores, and a large restaurant.

In 1921 the Government passed a law prohibiting cooperative societies from accepting savings deposits. This made it necessary for the society to discontinue its savings bank department and transfer its members' accounts to an independent institution. The cooperative bank, "Diligentia," was formed; each of the stores of the society acts as a branch for receiving deposits. The bank now has over 21,000 depositors and a large and growing capital.

Mainly through the initiative and unfailing zeal of Alexander Karolyi, nearly 4,000 consumers' societies were affiliated in a strong central union. Michael Karolyi was the first president of the new Hungarian Republic as soon as the revolution was accomplished in 1918 and the Hapsburgs overthrown. During the war he steadfastly worked with the cooperators; he fought militarism and declared in favor of peace.

CZECHOSLOVAKIA.

The political chaos due to the splitting up of Austro-Hungary into various national states affected the movement acutely. The united work of 17 years was terminated by the dismemberment of Austria by the Allies after the war. The political, racial, and economic cleavage now gives rise to four distinct movements: (1) Central Union of Czecho-Slovak Cooperative Societies, (2) Union of German Economic Societies (Verband deutscher Wirts-schaftsgenossenschaften), (3) socialist sotres movement, and (4) Catholic stores movement. The first two are connected with the international alliance. The German Union, which was forced in 1918 by the Allies to separate from the Union of Austrian Distributive Societies, had over 300 consumers' societies, in 1923 with 300,000 members. Each of the first two have already established a Whole sale at Prague and several productive enterprises.

The Wholesale of the German Union (Gross Einkaufs Gesellschaft) has five warehouses in Bohemia. Its factory for the preservation of fruit at Neratowitz, established in 1918, is an institution of which cooperators may well be proud. The Wholesale has a malt-coffee factory, a small-wares factory, an underwear factory, a flour mill, chemical laboratories, etc. It has 500 employees.

The Czech Cooperative Union, organized in Prague in 1909, unites all forms of societies in its membership. It has 535 consumers' societies with a membership of 1,000,000, as well as producers, credit, agricultural, and housing organizations. The Wholesale of the union employs 700 people. Deposits in the bank amount to 500,000,000 crowns. The Cooperative Insurance Society has in effect 150,000,000 crowns of insurance in 43,000 policies.

The largest single consumers' society in Czecho-Slovakia is the Consumers' and Savings Society "Budoncnost" ("the Future"), situated in Moravian Ostrau. At the end of 1921 it had 65,000 members, representing 320,000 consumers. Although private merchants have resorted to every conceivable measure to destroy this society, it continues to grow, and in many districts no private stores are any longer to be found, but only the stores of the "Budoncnost." It had about 200 stores, with a turnover of 250,000,000 crowns, in 1921. It has its own bakery and flour mill. It employs 800 people, pays no dividends, and is neutral in politics.

It is interesting to note that in 1922 the parliament passed a bill granting 50,000,000 crowns credits each to (*a*) "Cooperative agricultural societies," (*b*) "Artisans' cooperative societies," and (*c*) "Productive and labor cooperative societies," but distributive societies have received nothing, because "they do not take part as a party in politics."

Governmental discrimination against cooperative societies in the interest of profit business has been keenly felt. The efforts of French influence to promote hostility between the Germans and Czechs is failing as evidenced by the very enthusiastic joint congress in 1922 of the German and Czech unions.

SWITZERLAND.

The wide development of cooperation has always been one of the distinctive features of Switzerland. The pioneer Rochdale Consumers' Society on the continent was opened in 1851 in Switzerland. Fay states that the Zurich society, established in 1851, was the first to employ the work "Konsumverein" (consumers' society).

The union of Swiss Consumers' Societies in January, 1923, was composed of 519 societies, with 370,000 members and 1,913 stores, having a yearly turnover of 350,000,000 francs. As Switzerland has less than 900,000 households, this represents over one-third of the households of the country. The union has recently advanced large funds for the establishment of a cooperative village near Basel of 150 houses. The Swiss union conducts a number of factories. Its shoe factory at Basel, flour mills at Zurich and Vevey, and meat-packing plant at Pratteln have already been referred to as models of equipment. Much attention is given to cooperative education. More than 300,000 copies of its newspaper are issued weekly to its members. The nine publications of the union are models of literary excellence. The union (Verband Schweizerischer Konsumverein) was established in 1890, and embraces four-fifths of the societies. In northern Switzerland half of the population are connected with the cooperatives.

The Swiss Wholesale is the commercial side of the union. It had a turnover in 1920 amounting to 172,000,000 francs. During the two following years this was much less on account of lower prices and hard times. The union owns eight farms with a total area of 1,000 acres.

Cooperative insurance is conducted by the Swiss union, with the active support of the trade-unions. Many suburban farms for the direct supplying of fresh vegetables and dairy products have been acquired by the consumers' societies. Housing societies are well advanced in Switzerland. The Swill Government has never shown hostility toward the cooperative movement, but has on the whole been rather friendly. The Swiss societies have remained neutral in politics.

DENMARK.

One of the smallest countries in Europe stands out to-day in bold relief because of its prosperity, education, and contentment. The force which has chiefly helped to raise Denmark to this position has been cooperation. The movement began in 1880 and grew gradually among the peasants, based on the knowledge of the benefits they had derived from mutual help for generations past. They had learned to know and trust one another because they had been accustomed to share in common the management of their village communities, much as the people did in Russia. Denmark now leads the world in the percentage of cooperators in its population. The agricultural purchasing and sales societies, dairies, bacon factories, slaughteries, etc., exceed the distributive societies whose development has been of later date. The use of experts to maintain the quality of all their dairy products and keep them as near perfection as possible is the method used by the farmers to meet the competition of private business. Most of the needs of the people are met through some form of cooperation. From the country the movement has gone into the towns.

The Danish Cooperative Wholesale Society (Faellesforeningen for Danmarks Brugsforeninger) was formed in 1896. In 1921 it had 1,792 affiliated societies with a membership of 335,104. Its productive enterprises comprise shoes, clothing, underwear, bicycles, rope, tobacco, soap, margarine, and candy. It is a large dealer and tester of seeds. It employs 2,000 persons. The chairman of the Wholesale, in 1922, was a member of the first chamber of the Danish Parliament. Its turnover in 1921 amounted to 203,400,000 crowns; in 1920 it manufactured goods to the value of 42,000,000 crowns.

In 1922 the Danish Cooperative Bank had a turnover of 13,000,000,000 crowns. The net profits were 2,588,000 crowns. The bank is constituted of cooperative societies of all types, savings banks, credit unions, and individual members. There are 89 cooperative banks belonging to it. It is the financial backbone of the whole movement. The bank has 470 employees.

The largest single society in Denmark is the Copenhagen Consumers' Society (Hovedstandens Brugsforening), with a membership around 30,000, about 400 employees, 92 stores, and several important productive enterprises. The cooperative housing societies of Denmark are noteworthy.

Mutual insurance societies and a sanatorium for preserving the health of its members also lend strength to the movement. In fact, "it is becoming more and more clear that in cooperation is to be found the only effective and legally unexceptionable means against the modern trusts."

ICELAND.

Iceland has over 40 societies with a membership in some cases of two and three thousand each. It has a union and a wholesale. Half of its population are supplied by the cooperative societies.

FINLAND.

Finland has two federations of cooperative societies. The older, which is the General Cooperative Union, or "neutral union," has a wholesale called the S. O. K. It carries on many manufacturing enterprises. The Central Union of Distributive Societies (the K. K.) is the Socialist Union, organized in 1916. It also has a wholesale (the O. T. K.). The two unions have a membership composed of over 600 societies, with a total membership of over 335,000 individuals. Since 1917, when the new union split off from the old union, the growth of cooperation in Finland has been very rapid. The membership of the old union has decreased during the past three years, but that of the new union has increased to a greater degree. The business of the S. O. K. in 1922 amounted to 416,600,000 Finnish marks, an increase of 17 per cent over the preceding year. The total figures for Finland in 1921 show 788 distributive societies, 333 for purchase of agricultural supplies, and 775 credit societies. Next to Denmark, Finland is perhaps the most highly organized cooperatively of any country.

NORWAY.

The statistics of the Norway Cooperative Union (Norges Kooperative Landesforening) show 114 societies in 1914, with 31,000 members, and in 1921, 404 societies, with 93,737 members, 420 distributive stores, 2,500 employees, 52 bakeries, 8 butcheries, 6 boot-repairing shops, a flour mill, and several other factories.

The Wholesale Society of Norwegian Distributive Societies had a turnover in 1921 of nearly 21,000,000 crowns. The savings deposits in the banking department amount to 2,881,000 crowns; it has 48 branches. The insurance society—"Samvirke"—has a membership of 100 societies and is doing an increasing business. The wholesale has a margarine factory, a coffee roastery,

and a tobacco factory. The output of margarine in 1921 was 1,030,000 kilos. The circulation of the journal Kooperatorer is 67,000.

One of the largest distributive societies is that of Christiania. It has nearly 6,000 members and a turnover in 1921 of over 8,000,000 crowns. It has a model bakery worked by electricity and an up-to-date sausage factory. The society at Bergen is over 40 years old.

SWEDEN.

Sweden has a cooperative union (Kooperativa Forbundet) with a wholesale. The collective membership of its societies has more than doubled since 1914. In 1921 it had 928 affiliated societies, with a total membership of 255,000. This represents about 80 per cent of the consumers' societies in Sweden. Banking and insurance are carried on by these societies as well as distribution.

The fire insurance society "Samarbete," the accident insurance society "Valfard," and the life insurance society "Folket" are all growing and successful cooperative enterprises.

Konsumentbladet, the official organ of the union, has a circulation of 85,000. Educational courses are given by mail and in the people's high schools.

The wholesale society is making steady progress. Its turnover in 1921 was 62,000,000 crowns. In 1922, by establishing its own margarine factory, it broke up the margarine ring and is saving millions of crowns to the consumers. In 1923 it got possession of a large flour mill at Hastholm, near Stockholm, with its own quay and grain elevator, with a capacity of 11,000 tons of grain. The mill employs 100 men.

HOLLAND.

The Holland Union at The Hague in 1914 had 162 affiliated societies, with a collective membership of 99,234. In 1921 the total membership of the Central Union of Holland Distributive Societies (Central Bond van Nederlandsche Verbruikscooperaties) was 165 societies, with 161,286 individual members. It carries on educational work. One of its publications, Verbruiker (the Consumer), has 70,000 circulation.

Outside of this are a number of consumers' societies which have a considerable membership. The Holland Wholesale in Rotterdam (Cooperative Groothandelsvereeniging "de Handelskamer") embraces 385 societies, with 192,401 members. It has a soap factory, coffee roastery, and meat-packing house. Its turnover in 1920 was 14,612,665 gulden.

The movement is much split up by political and social factionalism. Besides the Central Union, there is a federation of four diocesan unions, having in all about 30,000 members. Recently the Christian Distributive Union was formed from Protestant societies. The total membership of all societies is about 250,000. The Hague and Rotterdam have strong local societies. (See "De Volharding," Book I.)

ITALY.

The first important distributive store in Italy was established at Turin in 1850. It was modeled after the Zurich society. The British method came into favor about 1880, and from that time on Rochdale societies developed throughout Italy. Most societies have a bakery as well as stores.

Italy has many and various cooperative organizations. The Cooperative League of Italy (Lega Nazionale della Cooperative), with headquarters at Milan, was established in 1886. It has a membership of 3,986 societies, with a collective membership of about 1,000,000. This organization, besides consumers' societies, contains about an equal number of artisans' copartnership and agricultural producers' societies. It is known as "red," and is the only one affiliated with the international alliance.

Consumers' societies lead in the number of members, the agricultural societies in the volume of trade, and the artisans' unions in the number of societies. These latter partnership, trades-unions of builders and laborers, specialize in labor contracts for road making, the erecting of buildings, canals, and railroads.

The Italian Cooperative Confederation (Catholic) is known as "white" cooperation. It has about 3,000 distributive societies. There is also the National Cooperative Confederation of Combatants, known as "neutral," with 679 distributive societies. There is also a Syndicate of Producers' and Consumers' Societies, of Fascist character. The largest societies are members of the league. The Milan society has 17,000 members and 107 retail stores. The Trieste society has 41,000 members and 101 stores. Turin has 19,000 members and 84 stores.

The National Cooperative Credit Institute is highly helpful. All classes of societies compose the wholesale.

The decision of the Italian Government in 1918 as a result of the war to establish Government cooperatives to work with the local societies in Milan, Florence, Rome, etc., in the opinion of some "marks the greatest advance yet made by any Government in assuming responsibility for lowering the cost of living." The decision of the cooperatives to receive State aid was, nevertheless, in direct conflict with the resolutions unanimously passed at the International Cooperative Congress in Budapest in 1904, and never since rescinded. When the Fascisti régime came in the cooperatives suffered severely, and learned that depending on State aid was an unmitigated error.

Since 1921 the Italian societies suffered severely under the attacks of the Fascisti. This organization, with the assistance and instigation of monarchists, tradesmen's organizations, and the other forces of profit business, burned, plundered, and wrecked the property of over 150 cooperative societies connected with the league within the course of six months. Forty-five establishments were completely destroyed by fire within a period of one month. Many cooperators were killed and hundreds assaulted. Appeals to the Government for protection and redress were unavailing.

Despite governmental hostility, the cooperative societies continue to grow and show the way to a stable organization of society.

RUSSIA.

Russia before the war was not only weak in consumers' cooperative societies, but those that did exist were discriminated against by the Government. The war saw the almost complete breakdown of Russian industry. Private business was unable to meet the daily needs of the population, and the Government of the Czar was forced against its will to lift the restrictions which had been imposed on the cooperatives.

With the growth of the revolutionary movement the societies increased until the Russian cooperative movement became the largest in the world. Fifteen years ago there were only about 5,000 cooperative societies of all kinds. By 1919 the number had increased to 75,000 with 30,000,000 members. Of these 26,000 were consumers' societies, 26,000 producers' societies, and 23,000 credit societies. The business done by the consumers' societies in 1919 was 10,000,000,000 roubles.

Nothing was more significant of the revolutionary transformation of the Russian Government immediately after the Czar was deposed than the prominent part assigned to the cooperators in the national organization by Kerensky. The posts of the Deputy Minister of Agriculture, Director of the Supplies Committee, and the Minister of Commerce and Industry were all filled by leaders of the cooperative movement. Cooperation throve best in Russia during this period between the fall of the Czarist Government and the rise of the Bolsheviki.

Up to the period of the second revolution the Moscow Narodny (or People's) Bank was the heart of the cooperative movement of Russia. It constituted a joint federation of local credit unions and consumers' and peasants' agricultural societies. Shares were held only by these groups. Its business was confined entirely to transactions within these societies. It did not accept deposits from nor did it advance loans to private enterprises. During the year 1917 it did a business of 6,000,000,000 roubles. In November, 1918, the bank had a capital of 100,000,000 roubles, and deposits amounting to 600,000,000 roubles. This bank used part of its funds, amounting to 50,000 roubles, "for the collection and preservation of art," and granted 57,000 roubles to the Cooperative University of Shamaosky. During the last year of the war, this great institution quietly set aside, all told, 400,000 roubles for cultural and educational activities. While soldiers and diplomats struggled for power cooperators held aloft a torch of light.

The Russian agricultural movement was strongest in Siberia. Flax, hemp, furs, timber, tar, and bristles were produced almost exclusively by the cooperators. In 1919 there were more than 1,000 creameries, producing 95 per cent of all the Siberian butter, and 800 related distributive societies, with a turnover of over a hundred million roubles annually. These societies very naturally conducted distinctive stores for their members. There was a large and

rapid growth of distinctive societies among the peasantry, due to the high prices charged by the village shopkeepers during the war.

In September, 1918 a cooperative university was opened at Moscow. Over a million and a half roubles were required to cover its first year's budget; this was contributed by the cooperative societies on a basis of a percentage of their turnover. The aim of this unique educational institution was to train cooperative workers. Now, cooperative high schools are being opened in all parts of Russia. They are well attended.

In August, 1918, 65 per cent of the food of central Russia was distributed through the cooperative movement—the rest by the local food committee of the soviets. The Central Union (The Centrosoyus, of Moscow) embodied the distributive and other cooperative societies.

When the Bolsheviki came into power, the cooperatives were the chief instruments of production and distribution. The new government itself at once undertook the task of controlling the production and distribution of food and other essentials. Apart from the fact that this followed from the philosophy of the communists who had acquired power, the blockade instituted by the Allies and the breakdown of private industry made necessary central governmenal control by the Soviet Government.

Accordingly, the Government, by various decrees, began to exercise control over the cooperatives. By the decree of April, 1918, every consumer was compelled to become a member of his local consumers' cooperative. On March 20, 1919, another decree effected the consolidation of all the consumers' societies and stores, as well as the cooperative productive agencies, into one nation-wide consumers' commune.

In 1920 all distributive agencies, cooperative or noncooperative, had been taken over by the State. The property of the societies became the property of the Government. The Moscow Narodny Bank was also nationalized.

In short, the vast network of the cooperatives in Russia—consumers, banking, and agricultural—the greatest voluntary cooperative movement in the world, was completely absorbed by the political state. As a voluntary movement it disappeared.

Then came the demonstration that socialization of industry can not be brought about by a political government alone, which subject I have discussed under "Cooperation and the political state." As a result of the failure to function effectively, the Soviet Government reestablished the autonomy of the cooperative societies by the decree of April 7, 1921. The Controsoyus again became nominally independent of the Government. Again it has become, as it once was, the chief central agency of distribution. But actual freedom from the political state does not yet exist. The cooperative societies are still closely related with the Soviet Government's activities, although ostensibly free.

All of this control of the cooperatives by the Government was made necessary, from the political standpoint, by the socialist philosophy. A strong government was needed also because of the attacks which the allied capitalistic nations persistently and insidiously made upon Russia to prevent what they feared might become an example to the world of a democratic form of government.

The All-Russian Central Union of Consumers' Societies, "Centrosoyus," entered the field of manufacturing in 1923, by establishng a coffee roastery, The development of productive industries has continued, until now, 10 years later, it conducts the following manufacturing enterprises:

A confectionary works with an annual output of 2,700 tons of candy and chocolate; a factory for roasting and grinding coffee, with departments for packing tea and other food products; a coffee factory with a capacity of 36,000 pounds a day; a coffee factory with an annual output of 900 tons of prepared coffee; a jam factory with an annual output of over 700 tons; a group of three starch factories with an annual output of 4,500 tons of starch; three sirup and jam factories with an annual capacity of 15,000 tons; another group of nine sirup and starch factories; two flour mills (one at Rybinsk, said to be the largest cooperative flour mill in the world, with a capacity of 450 tons of flour a day; another at Saratov with a capacity of 216 tons a day); two grain mills; two oil mills, one with an annual output of 9,000 tons of vegetable oil and the other with an output of half that amount; a meat-packing factory with an annual production of 720 tons of sausages and cured meats; three fruit drying and preserving factories with an annual output of 1,500 tons; a mustard factory with an annual output of 3,250 tons of mustard oil and 1,800 tons of mustard; a soap factory with an output capacity of

5,400 tons of soap and glycerin per annum; another soap factory, which is the largest in southern Russia, with an annual productive capacity of 18,000 tons of soap and 8,650 tons of oil cake; another factory producing only household and toilet soaps; a boot factory which is one of the largest in Russia, having an output of 300,000 pairs per year, and employing 800 workmen; a factory making 500,000 pairs of felt boots and 100,000 sheep-skin coats per year; a tobacco fatcory with an annual output of 2,700 tons; a chemical laboratory at Moscow for analyzing and testing goods purchased and manufactured; a technical and chemical laboratory which carries on analytical work; two printing works; a mechanical workshop; a brick kiln; fisheries on the Sea of Azov, on the Caspian Sea, on the White Sea, and hunting stations and factories for extracting fats and dressing skins; a peat bog near Moscow, yielding 45,000 tons yearly; and many other enterprises, among which is a college for training cooperative executives.

Centrosoyus maintains an office in London, New York, and other important centers. During the last 11 months of 1922 the London office imported from Russia over £336,000 of goods and exported to Russia over £723,000.

In January of 1923 Centrosoyus comprised 90 provincial and regional unions, 704 district unions, and 27,409 consumers' societies, all having 42,000 stores. The turnover of these stores in 1922 amounted to $50,000,000. The central organization, Centrosoyus, employs a staff of 2,709 people. Its affiliated societies have nearly 250,000 employees. In addition to the above are 4,631 "volutary" Rochdale consumers' societies with a membership of 3,500,000.

The total business of Centrosoyus for 1922 was 36,000,000 gold roubles ($20,000,000). Most of this business (85 per cent) was with cooperative organizations; and 13 per cent was with State organizations. Most of the goods were purchased from State industrial plants. The organization acts as an intermediary to distribute State-made goods to the consumers' societies.

The Moscow Consumers' Society is one of the largest cooperative organizations in Russia. In November, 1922, it had 650,000 members. It has 255 stores, 46 coffee rooms, 5 flour mills, 8 bakeries, 2 soap factories, 13 boot-making and repair shops, 8 tailor shops, 14 hair dressing shops, and 2 theaters.

UKRANIA.

Ukrania, in 1920, had several thousand consumers' societies, 3,000 banking and credit societies, and less than 500 agricultural societies. The Union of Consumers' Societies carries on wholesaling, printing, publishing, auditing, banking, and insurance. It does much educational work. The central financial institution is the Ukraine Cooperative Bank.

The Ukranian Cooperative Union ("Wukopspilka") has signed a contract with the Government for the exploitation of the fishing industry in the Black Sea for a period of 16 years.

The "Wukopspilka" and its member societies in 1922 owned some 724 industrial enterprises, such as flour mills, leather factories, brick works, soap factories, cheese factories, printing works, and jam factories.

ESTHONIA.

The new Republic of Esthonia has about 150 consumers' societies, with a total membership of 20,000. A wholesale was established in 1919, and is growing rapidly; it is the principal shareholder in the Cooperative Printing Society. The Esthonia Cooperative National Bank was founded in 1919 on the lines of the former Moscow Narodny Bank, to be a central bank for all cooperative bodies.

LATVIA.

Latvia has a recently developed movement with 519 consumers' societies, about half of which belong to the central union "Konsusm." This union has a wholesale with several productive plants, including a tar factory, a fertilizer factory, several tanneries, a saw mill, a flour mill, and a machine shop. The national cooperative bank was established in 1920; it has 474 organizations as members. These societies pay a savings return of from 10 to 25 per cent. Between 5 and 35 per cent of the net surplus savings are used for educational and benevolent purposes.

Besides the above, there are societies for housing, education, fire insurance, cattle inspecting, bee cultivation, etc., in all, some 1,500 societies. The hostility of the Government since the war has hampered progress.

LITHUANIA.

In 1914 Lithuania had 200 consumers' societies; in 1920 the number had increased to 256. The Lithuanian union in 1921 had 225 affiliated societies and the Shavli union of 125 societies had about 70,000 members. The wholesale has several warehouses, a slaughterhouse, and meat-packing plant. Lithuania has about 100 credit societies and banks. There is also a central cooperative bank, and the Jewish Central People's Bank.

BULGARIA.

Since the special law, passed in 1907 in the interest of cooperative societies, cooperation in Bulgaria has made constant progress. In 1907 there were reported 100 societies of all kinds. In 1912 this number had increased to 1,100. In 1922 there were 1,862 societies (512 distributive, 1,077 credit, and 273 selling and agricultural). The Central Cooperative Bank has affiliated with it 993 societies—862 credit societies, 64 distributive societies, and 27 others. The credit societies render great service to the agricultural population.

GREECE.

The approaches to cooperation in Greece have been through the workers' guilds and copartnership productive societies and in agricultural societies. A law passed in 1915 gives special consideration to cooperative societies; exemption from State and local taxes (such as income tax, tax on real estate, etc.). The Government gives rewards to persons who organize cooperative societies which are successful and enduring. Rewards are also granted to individuals who devote themselves to working in the cooperative movement. Courses on cooperation are given in the public schools. But most of this work is in the interest of producers' copartnership enterprises. The distributive movement is slowly taking form from these beginnings.

POLAND.

In 1921 Poland had four different national unions of consumers' societies. The Union of Polish Consumers' Societies, founded in 1911, is the largest. It comprises 1,049 societies, with a total membership of 348,500.

The wholesale department of the union has a number of productive industries; among these is a soap factory which in 1921 produced 300,000 kilos of soap. It has a 500-acre farm for producing poultry and eggs. The publishing department of the union puts out a large periodical and other very effective literature.

In 1922 the three consumers' societies in Warsaw amalgamated to form the present society with a membership of 11,236, its own bakery, and 24 stores. The deplorable state of students and teachers in schools and universities has resulted in the development of "scholars' cooperative societies" in most institutions of learning. When the allied nations established the present Polish Government a law governing cooperative societies was enacted. This law provided that "dividends" or savings returns of cooperative societies must not exceed the interest rate of the Polish State Bank by more than 2 per cent. Cooperative societies are quite under the supervision and control of the Government.

As in many countries in which the political government is unsettled, the people of Poland are turning to cooperation as the means of expressing the united social will. The peasants are joining in "economic unions" for the purchase of the things they need and for the sale of their products. A student of recent Polish conditions (Ralph Butler, The New Eastern Europe, 1922) says: "Each union has a social gathering once a month, generally after mass on Sundays, at which arrangements are made for insurance, hire of mchinery, purchase of fertilizer, and the like on cooperative lines. Once a year the district holds a meeting, which for most of the peasants is the principal event of the year."

The same observer states that the best brains of the country have been turned away from the political movement and drawn into the "economic movement" that has lifted up a peasantry which was the most degraded in western Europe. It has given them education in self-government. "The political show which is now being enacted at Warsaw is a puppet show." The political government will last no longer than there are bayonets to support it, but the organization of the people into their cooperative societies is upon a sound and enduring basis.

The trend of things is indicated by the election in December, 1922, to the presidency of the Polish Republic of Stanislaw Wojoischowski, who was one of the founders and for many years a director of the union of Polish consumers' societies, chairman of the guild of cooperation, author of books on coperation which have had a profund influence on the development of the movement in Poland, and, at the time of his election, professor of cooperation in the Commercial High School in Warsaw.

RUMANIA.

Rumania is especially strong in cooperative banking. It has over 3,000 popular credit banks, with a membership around 700,000. These banks have 13 district federations with a cooperative credit banking central at Bucharest, established in 1903. The organization of consumers' distributive societies has made especial progress since the war. In 1921, the eight principal federations of consumers' societies, with 93,000 members, organized a wholesale.

Bessarabia is developing a highly successful consumers' movement. During the two years, 1920-1922, twenty-five societies were formed with over 6,000 members, They are federated in a union.

YUGOSLAVIA.

This country, which was created out of the Kingdom of the Serbs, Croats, and Slovenes, in 1921, had a general cooperative federation constituted of 11 cooperative unions composed of a total of 3,800 cooperative societies, with a collective membership of nearly 1,000,000 individuals.

There is a great variety of societies based on nationalities. The union of State employees' societies of Belgrade comprises 88 consumers' societies, with 22,000 members. The union of Serbian agricultural societies of Belgrade comprises 705 consumers' societies. Former Carniola has three unions. Former Croatia had a federation containing 324 consumers' societies. Slavonia has a union of 177 societies.

The largest society is the Workingmen's Society of Laibach, established in 1895. It has 12,000 members. The national union is as yet very loosely organized.

SPAIN.

At the First National Congress of Cooperatives in Spain, in 1921, there were present 200 delegates, representing 300 societies. A national federation was created. Besides distribution, banks and educational work are being undertaken.

In the 25 or 30 consumers' societies in Catalonia, there is a membership of 50,000. In northern Spain is a union of 35 societies with a total membership of 16,000. The consumers' movement is closely affiliated with the labor movement.

The society of Madrid (La Mutualidad Obrera) is, perhaps, one of the best examples of cooperation in Spain. It has over 10,000 members. The applicant must be a member of one of the trade-unions affiliated with the Union General de Trabajadores. This is the conservative federation of labor of Spain, and has about 50,000 members in Madrid. The members of the cooperative society pays dues monthly, and he enjoys free medical service along with his other benefits. This society is an object of great pride to the workers who have created it.

PORTUGAL.

There was very little to be found of a cooperative movement in Portugal before the war. In 1920, a national union of cooperative societies (Federaco das Cooperativas) was organized at Lisbon by delegates from 25 consumers' societies. In 1921, the union numbered 138 societies. The wholesale purchase of goods was entered into by the union in 1920.

ARGENTINE REPUBLIC.

This country has held two national cooperative congresses, at the last of which, in 1920, 30 societies sent delegates. The delegates represented societies having a total membership of 13,722, with a paid-up capital of over $1,000,000 and doing a businss of nearly $5,000,000 a year. The largest consumers' society is the "Workers' Household Society" of Buenos Aires, which has a membership of over 6,000. Agricultural credit societies are multiplying. The educational union publishes an official organ and other literature. The national wholesale is organized after the method of the British Wholesale.

MEXICO.

The cooperative movement in Mexico has experienced many adversities, but still goes on. It has suffered especially from being complicated with the politics of the government. In Yucatan, the government has undertaken the promotion of cooperation without a realization of the difficulties in attempting the mixing of incompatible elements.

AUSTRALIA.

This country has well-developed and extensive agricultural marketing organizations out of which the consumers' cooperative movement is growing. In New South Wales are many societies with distributive stores. The New South Wales Wholesale has a membership of 26 societies. The movement started in 1897 with the Wallsend and Plattsburg Society. Among the most prosperous are the Kurri-Kurri Society, the Newcastle Society, and the West Wallsend. The Maitland West Cooperative Bakery has over 1,000 members. In Victoria are several consumers' societies. In South Australia is the Adelaide Cooperative Society, established in 1870, which in 1913 had a turnover of $1,000,000. South Australia has several other store societies. A substantial cooperative bank, organized in 1905, is in operation in Melbourne. Thus scattered over Australia are a good number of societies, needing only to be federated into the Australian Union to guarantee their strength.

NEW ZEALAND.

The New Zealand movement is quite similar to that in Australia. There are 14 consumers' societies with a total membership of about 5,000. The Cooperative Union and Wholesale Society has been recently formed. It publishes the New Zealand Cooperator.

SOUTH AFRICA.

South Africa has a progressive movement with successful societies in many towns. A union has been established, and a wholesale is in process of development.

INDIA.

The movement in India is largely in the field of cooperative credit societies. The latest reports show 32,000 societies of all kinds with a membership of 1,235,891. Consumers' distributive societies have been developed especially since the war. They receive much advice and assistance from British Government officials. In India the movement is new and of great promise. The Bombay Cooperative Quarterly is one of the best cooperative publications in the world.

JAPAN.

The cooperative movement in Japan originated first among the farmers and small producers. Most societies are credit cooperatives. Consumers' societies consist chiefly of agricultural purchasing organizations; they purchase commodities and materials required for the farmers' needs and for their personal and domestic consumption. Fairly satisfactory State laws regulate these societies.

Many of these organizations are allied with the religious observances of the people. Mr. Alexander Zelenko has told me of finding cooperative societies with their headquarters in the temples, in some cases with their stores in the graveyards, and combining the cooperative administrative functions with the symbolism and mysticism of their religious rites.

CHINA.

Not being yet a commercial country, the Chinese have not felt the pressing need of cooperation. Only in recent years has a tendency to organize societies appeared. In 1922 the "Ping Ming" Cooperative Society was formed at the Fuh-Tan University, in Shanghai, where students, professors, and townspeople have united. The society publishes a weekly paper, The People, and conducts a cooperative bank and stores. Since this development in Shanghai the movement has spread to other parts of China. Many small cities have successful cooperative societies, which have been promoted by students and workers. Canton has a large and flourishing society.

CANADA.

Canada can not be said to have had a cooperative movement until the establishment of the Cooperative Union of Canada in 1909. This organization, a federation of more than a score of societies, is devoted to education, guidance, standardization, and protection of the cooperative societies. In an agricultural country such as Canada the farmers' marketing organizations naturally predominate.

One of the most substantial societies in the Western Hemisphere is the British Canadian Cooperative Society at Sidney Mines. It has 2,321 members, and does a business in its four branches of $552,245 a year. During the 16 years of its existence, up to 1922, this society has given back to its members—the workers of Cape Breton—over $750,000 in cash savings returns besides paying interest on capital.

Canada has given to the cooperative movement two outstanding figures, Alphonse Desjardins and George Keen. The first planted cooperative banking in America, and the latter, against great obstacles, is pressing forward with education and the ideals of cooperation.

THE UNITED STATES OF AMERICA.

The first expressions of cooperation were found in the cooperative and communistic colonies which settled on the land in the latter part of the eighteenth century and the early part of the nineteenth century.

From that time down to the present there have always been colonies in which the members attempted to carry on their industrial and social life in the spirit of cooperation. They have been occupied in farming and other forms of productive work, owning property, selling their produce, and buying in common. They have come and gone. Some of these land colonies have succeeded commercially as businesses, but none have succeeded as social enterprises, because, if they endured, sooner or later they became profit making in character rather than social.

The beginning of the consumers' cooperative movement in the United States was in 1845, when the Workingmen's Protective Union opened its first store in Boston. Since that time the working people made continuous attempts to establish cooperative societies. In 1853 the International Industrial Assembly of America, with a membership of 200,000, promoted cooperative enterprises. The National Labor Union did the same in 1866. These were followed by the Patrons of Husbandry, the Grange, the Sovereigns of Industry, and the Knights of Labor. By 1877 these latter organizations had several hundred stores throughout the Eastern States. They developed also many productive independent industries which they called "cooperative," but which were not related to the consumers' societies. The New England Protective Union at one time had 400 distributive stores extending throughout the Atlantic States.

These old organizations were deficient from the cooperative standpoint. Most were lacking in the fundamental qualities of cooperation. The others that could be regarded as cooperative were so lacking in cooperative education that their members rarely understood the nature and possibilities of their enterprises. The great majority failed.

The building associations or "building and loan associations," represent another form of early cooperation in the United States which extends over a long period. The first organization of this sort was the Oxford Provident Building Association, founded near Philadelphia in 1831.

Cooperative banking and credit associations date back also to the early part of the last century. These early struggling societies were practically all destroyed by the Civil War. In the early part of the present century several States enacted cooperative banking laws, and the movement slowly began to spread.

While cooperation was making its remarkable progress in Europe during the last 50 years, it progressed very slowly in this country. Greater difficulty in creating interest has always existed in the United States and the proportion of failures has probably been larger than in Europe.

The chief reason for this slow progress resides in the fact that until 1916 there was no national central source of information and guidance such as existed in each European country; the people started societies that were not really cooperative in method; and they attempted to run them without standardized information or guidance. Besides this, there are economic reasons. A new country with limitless opportunities breeds the spirit of individualism. Profit-making business and the eager quest for the dollar dominates the public mind. Each individual hopes to get more than his neighbor in the competitive struggle. In no country has the urge of individual profit making become so strong and the opportunities so great.

In the United States an unsocial individualism is taught. Each boy believes that he may become President or boss, or something high, to which his fellows are not to attain. Each is exhorted to "make his way"; that means to get ahead of others. He does not want the others to "get ahead" along with him, or his purpose would be defeated. The result is a psychology that is opposed to working together for the good of all.

Cooperation in the United States has to do with a mixed population. People of alien races, with different customs and languages, do not always mix well, at least at first, in a cooperative society.

Besides the problem of immigration, fluctuations of population were caused by the newness of the country. The people are restless. They do not remain to live in the neighborhood where they were born. Rootlessness is an American characteristic; the people do not grip fast to a locality. The presence of frontiers to the westward, toward which a fluid population could always keep moving, was an obstacle to the stability necessary for cooperative organization. People who are not long in contact with one another, but are always having strange neighbors, develop an individualistic suspicious psychology.

The backwardness of cooperation in the United States is due also to the fact that poverty is so overshadowed by wealth that the escape from poverty always seems possible because of the abundance of wealth. Poverty has not yet become conspicuous, extensive, conscious, and capable of boldly declaring itself. The people still are ashamed of poverty, and prefer to hide it rather than to organize it for their own good.

The idea that any man can grow rich by his own individual actions has deterred people from uniting in a project which is based upon an acknowledgment of the need of mutual aid, and in which the early rewards are so meager while the efforts are so great. These American conditions are incidental to a new and wealthy country. A change can be wrought by time alone.

The strenuous competition among private tradesmen and the allurements of advertising have won the people to a habit of shopping and bargain hunting until these have become prevalent forms of American recreation. While competition has kept prices down and has made it possible to find reasonable prices, it has prompted the tradesmen to offer every conceivable inducement and enticement for the sake of trade.

The United States is the land of the great god "business." The laws as well as the public psychology are all adjusted to the profit-making system. The influential elements in each community are the "boards of trade," "merchants' associations," and "chambers of commerce." These organizations are composed of the prominent citizens. They dominate the schools, the press, and the public thought, as well as the industries. And these bodies, found in every community, are naturally opposed to the cooperative movement. Every device conceivable that can be used by a powerful organization to destroy a weaker one is resorted to by these elements to suppress cooperative associations.

Another serious hindrance to cooperative progress has been the multitude of spurious "cooperative" societies. They vary from the wildest and most fanciful schemes of well-meaning persons to the most unscrupulous fraud. These enterprises take millions of dollars from working people, who are left hostile to true cooperation. During the past three years these undertakings have been especially flagrant. They have capitalized the growing interest in cooperation and sold the people a poor imitation. Some of the promoters of these ventures have been sent to prison; most of them are at large, organizing and reorganizing their spurious failing schemes. These organizations follow the chain-store methods. This centralized plan of administration in cooperation invariably fails. It succeeds in profit-business, but in cooperation it fails for lack of democracy, local interest and efficiency, when downright fraud is not the cause of the failure. The practical reason why even the well-intended among these things have failed has been because of a central bureaucracy which has not only itself been ignorant of both cooperative theory and practice but has kept the members in ignorance of their own business and of cooperation. During the period from 1919 to 1923 twelve of these centralized undertakings failed from the Atlantic to the Pacific. Over $18,000,000 has been lost in three years in these ventures by deluded people who thought that they were promoting cooperation. But still greater than this is the loss of the morale which the movement suffers. This is the dark side. It should be kept in mind because the desire for quick results, the contempt for patient education, and the esteem in which the get-rich-quick motive is held in the United States will continue to operate as causes of disaster unless the people are forwarned.

There is a brighter side. For 50 years there has poured into the United States a stream of immigrants from countries having well-established cooperative movements. These people have brought with them not only the knowledge of what their native societies were doing but they have brought a cooperative spirit. There have survived from the early period many societies scattered over the country. A few of these date back nearly 40, and some nearly 50 years. The immigrant people have promoted cooperation among these old societies until to-day cooperative stores are to be found in almost every part of the country. Since 1916 expansion has taken place due partly to the stabilization and enlargement of industry during the war, partly to the conspicuousness of profiteering and the very obvious evils of the profit-making economic system, and partly to the work of the cooperative league in promoting the knowledge of the fundamentals of cooperation.

The farmers have done the most of any one class for cooperation in the United States. This is partly due to the fact that until 1921, the farmers were the largest class. Unlike Great Britain, Germany, and the other industrial countries with a large cooperative development, it has not been the industrial workers but the farmers who have taken the lead. Much help has come from the agricultural population who emigrated from Denmark, Germany, Norway, Sweden, and Finland. But old American stock has also played a part in this development. The early strength of the cooperative movement was in the rural districts and largely among the native born; but in the last few years the strongest and largest societies have developed in the industrial centers. This individual or town movement is predominantly foreign born in its leadership.

The Farmers' Educational and Cooperative Union, by its promotion of cooperation, has rendered valuable service. This organization started in Texas, in 1902, and has now extended into 30 States. Its primary business is teaching the farmers how to organize as producers to get the best price for their product. But it performs also the service of teaching these same farmers how to conduct distributive stores. Usually the consumers' society is organized and capitalized as a separate undertaking. It also carries on cooperative and marketing enterprises, and thus differs from the Cooperative League which does not finance or conduct societies.

A general view of the distributive societies in this country shows in the New England States, in 1923, about 75 distributive societies. A few are the old societies. Most, however, were established in the present century. The largest single group is that of about 30 organizations in eastern Massachusetts;

most of these are composed of Finns. They have stores, restaurants, bakeries, and consumers' creameries. In the Middle Eastern States are 250 distributive societies chiefly in Pennsylvania among the coal and iron workers and in and near New York City. The Central States have about 100 societies in Illinois. A lesser number are in Ohio and Indiana. Most of the Illinois organizations are in the coal-mining districts. Societies of this type average about 250 members, have a turnover of $160,000 a year, and pay saving returns of from 2 to 7 per cent quarterly. The Illinois societies have a wholesale.

In northern Michigan, Wisconsin, and Minnesota are over 100 societies composed largely of Scandinavians. The Cooperative Central Exchange of Superior, Wis., is a wholesale composed of 50 of these societies. Besides supplying general merchandise, it manufactures the peculiar bread and biscuit products required by the Finnish societies all over the country. This organization conducts a school for the training of cooperative executives. Its educational work is most effective.

There are few large societies. Most societies in the United States have under 1,000 members. Two societies in northern Michigan, established in 1890, have more than that number. One of the successful younger societies of that district, organized in 1912, has over 400 members, owns its own three-story stone building, operates a bakery, two meat markets, and four branch grocery stores, and has a turnover of $300,000 a year.

Among the northern and western agricultural States are scattered societies. In 1923 Kansas had 275 consumers' societies; Nebraska about the same. The Farmers' Exchange at Omaha is the central wholesale of Nebraska. These societies distribute seeds, flour, feed, coal, groceries, dry goods, clothing, hardware, machinery, and all kinds of goods. The Kansas union alone in 1922 bought for its members 2,403,150 pounds of twine (120 carloads) for harvest binding and 191 cars of coal.

The State Grange of Washington has an effective cooperative wholesale in Seattle.

In the Southern States are a few scattered societies, but the movement in the South is backward.

In the Pacific States the prosperity of the people and the newness of the communities seem to have militated against interest in cooperation. A scattering of societies existed in California the latter part of the nineeenth century. Centralized methods with bad management caused failure. During recent years a few independent societies have sprung up in the Pacific States. With these as a nucleus, a sound development may be hoped for.

Certain racial groups are taking an active part in the promotion of cooperation in the United States. A group that stand out most eminently for their idealism and efficiency are the Finns. Their societies in New York, in New England, and in the Northern States are successful. Other racial groups which are making their contributions to the structure of cooperation in this country are the English, Scotch, Germans, Scandinavians, Jews, Italians, Bohemians, Poles, Slovaks, and the people from the Balkan countries. Many societies are composed largely or exclusively of these several groups.

Retail distribution stores are the most common cooperative enterprises in the United States. There are about 3,000 of these, with a total membership of about 750,000 and a total turnover of about $100,000,000 a year. They find many difficulties. It is possible that the larger development of cooperation in this country must begin in other fields—banking, housing, coal, milk, bakeries.

Cooperative bakeries have been promoted especially by the Jews, although many non-Jewish societies have bakeries. A baking society in New York, two in New Jersey, and one in Michigan—each has more than 1,000. Bakeries are very successful.

House building by cooperative societies has recently been attempted, always with satisfaction. This is a field in which cooperation is urgently needed and in which it could serve the people most efficiently in this country.

Milk distribution has recently been developed to a successful point. Societies in several States have contracts with the farmers to produce milk for them. They collect the milk, treat it in their own creameries, bottle, and deliver it.

Cooperative credit and banking societies are making headway. Massachusetts and New York have about 150 societies. Ten other States have cooperative banking laws. Some of the large labor unions are now energetically promoting this cause.

Among other expressions of cooperation in the United States are motion-picture shows, laundries, restaurants, boarding houses, hotels, recreational clubs, schools, telephone societies, and purchasing agencies.

The United States has no national cooperative wholesale society.

In the European countries the Catholics have their own cooperative societies apart from those of the Socialists and Protestants; but in the United States there is no division; the Catholics are in the societies with the other classes. It is possible that America may be able to give to the world its first demonstration of a national movement uniting all elements and without creedal or political antagonisms.

The lack of a national cooperative organization has been the deficiency in this country. To meet this need the cooperative league was organized in 1915, and started work in 1916, with headquarters in New York City. It is an organization which collects all possible information concerning cooperation in the United States, makes surveys of failures and successes, publishes information, gives advice, standardizes methods, creates definite policies of action, prepares by-laws for societies, drafts bills to be introduced in legislative bodies, promotes favorable legislation, sends out advisers to societies, provides lectures, prepares study courses, conducts a school, publishes books, pamphlets, and periodicals, and in every way possible promotes practical cooperation. The league is a federation of cooperative societies governed by its constituent members. District leagues or unions are also being formed under its direction. Through the league the United States movement is connected with the international alliance. The first national cooperative congress held under the auspices of the cooperative league was at Springfield, Ill., in 1918; the second congress was at Cincinnati, Ohio, in 1920, and the third congress was at Chicago in 1922.

The fundamental educational work which the league is doing is the great need in the United States. The day of propaganda has passed. What is needed is standardized information and practical guidance based upon the sound principles of cooperation. This movement has been so effectively standardized that success and failure can be predicted and controlled.

Cooperation will have a difficult path in the United States where profit-making business is dominant. But fundamental economic changes are coming. The salvation of the people must be by one of two methods—by suffering, perhaps associated with bloody revolution, or by education. Which of these the people of this country will employ on their way to emancipation remains to be seen. It is by the path of education and evolution that the cooperative movement would lead.

THE INTERNATIONAL COOPERATIVE ALLIANCE.

The International Cooperative Alliance was founded in 1892. Representing the application of the cooperative principle in internatonal relations, it is a union of the cooperative societies of all countries. The executive offices are in London. Its objects are (1) to collect information concerning cooperative principles and methds in all countries and to promote education and propaganda; (2) to maintain friendly relations between the members of the alliance; (3) to collect cooperative statistics; (4) to provide information and to encourage the study of cooperation; and (5) to promote trading relations between the cooperative organizations of all countries. At the present time the cooperative societies in over 20 countries are federated into national organizations, and these natoinal organizations are federated in the international alliance. The significance of this union is discussed in Book I under "Internatonalism."

The alliance holds an international cooperative congress it suitable intervals. Such congresses have been held at London (1895), Paris (1896), Delft (1897), Paris (1900), Manchester (1902), Budapest (1904), Cremona (1907), Hamburg (1910), Glasgow (1913), and Basel (1921). The war interrupted the congresses between the last two dates, but during that interval separate congresses were held by the interallied societies and by the societies of central Europe. At the Basel congress were 400 delegates from 24 countries, representing a total society membership of 25,000,000. The alliance is steadily growing in membership and significance.

Its central committee represents 24 countries and meets at regular intervals, while its executive committee holds still more frequent meetings.

The delegates at this last congress were elected by voluntary associations of people in 24 countries of the world, including Germany, Austria, and Russia. This was the nearest approach to a true league of nations that has ever assembled. Its transactions and resolutions were free from the intrigue and "diplomacy" which characterized international political assemblages. Not one act of this great body made for international hostility or for the promotion of the privilege of any class. All of its transactions were open and all were in the interest of the great mass of people. Presidents, prime ministers, generals, princes, and diplomats would have marveled at the honesty and humanity of this congress. Yet few of such knew of its existence or were concerned for it.

The International Cooperative Bulletin, the official organ of the alliance, published monthly in three languages, has been issued regularly since 1908. The work of the alliance is a powerful factor in the promotion of international union and harmony.

(The committee then adjourned until 10 o'clock a. m., Friday, January 18, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

FRIDAY, JANUARY 18, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment of yesterday, at 10.30 o'clock a. m. in room 326 Senate Office Building, Senator George W. Norris (chairman) presiding.

Present: Senators Norris (chairman), McNary, Capper, Keyes, Gooding, Ladd, Norbeck, McKinley, Heflin, Ralston, and Johnson.

(The statement of Mr. Benjamin C. Marsh, made on this day, is incorporated in the hearing of January 16, 1924, by order of the chairman.)

(The committee adjourned until 10 o'clock a. m., Saturday, January 19, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

SATURDAY, JANUARY 19, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Gooding, Norbeck, McKinley, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order. The first witness this morning is Mr. Dale.

STATEMENT OF MR. H. C. DALE, ECONOMIST, UNIVERSITY OF IDAHO, MOSCOW, IDAHO.

The CHAIRMAN. What is your business, and where do you reside, Mr. Dale?

Mr. DALE. I am an economist by business or profession. I live in Moscow, Idaho. I am connected with the University of Idaho.

The CHAIRMAN. How long have you been connected with the university?

Mr. DALE. Four years.

The CHAIRMAN. What was your business prior to that time?

Mr. DALE. I was engaged in the same business in Wyoming.

The CHAIRMAN. Connected with the University of Wyoming?

Mr. DALE. Yes, sir.

The CHAIRMAN. How long were you there?

Mr. DALE. I was there five years.

The CHAIRMAN. Now, Mr. Dale, we are considering the McNary bill (S. 2012). I understand you were interested in its preparation?

Mr. DALE. In a very moderate capacity.

The CHAIRMAN. Have you studied the question?

Mr. DALE. Yes, sir.

The CHAIRMAN. We would like to have you go on and tell us about it, what it is, and give us any information you may desire on the general subject.

Mr. DALE. Yes, sir. I might say I represent in a way two groups of northwestern farmers here. In the first place, the farmers of north Idaho, which is a wheat-growing section, and a part of the Palouse country, which is the big winter-wheat area. Sentiment in that section has been very strong for some kind of relief in the way of price stabilization for the wheat growers. In fact, our cost of

production in that section mounted in the last three or four years while the price has gone down, as it has elsewhere.

I don't know how far you want me to go into that matter.

The CHAIRMAN. We will not try to interfere with you. We want you to be perfectly free to go into any branch of it you desire. We do not want to hamper you in any way.

Mr. DALE. The gentleman who is with me is more familiar with the cost end of it from the standpoint of the farmer than I am.

The farmers, as I said before, are very much interested in some method of price stabilization.

The CHAIRMAN. You raise winter wheat there?

Mr. DALE. Yes; we raise winter wheat. Our rainfall ranges from 11 to 22 inches, so that ours is distinctly a summer-fallow proposition. We raised last year, that is, 1923, about 11,000,000 bushels in north Idaho, but we are really geographically a part of the Palouse country, so-called.

The CHAIRMAN. If yours is a summer-fallow proposition, you can not raise a wheat crop on ground that has produced wheat the year before?

Mr. DALE. No, sir; it lies in summer fallow.

The CHAIRMAN. You produce a crop every other year?

Mr. DALE. Every other year; yes, sir.

Senator GOODING. You have to conserve the moisture?

Mr. DALE. We have to conserve the moisture. That is done usually by dragging, disking, harrowing, keeping down the weeds, etc. Occasionally a crop of peas or some other leguminous crop is put in. The yield is pretty fair. This year some of our farmers produced 27 bushels to the acre, and some less than that. Twenty-seven is a fair average—a good average. That is the north Idaho situation.

I also speak on behalf of a committee of farmers and business men and representatives of the intermediate credit bank and the War Finance Corporation in that section.

Last summer we had a mass meeting in Colfax, the county seat of Whitman County, Wash., just across the line, the biggest wheat county in the country, and at this meeting a resolution was passed providing for a committee to represent unorganized farmers, banking interests, milling interests, and the like, in that section, and this committee met in Spokance in December, 1923, and undertook to examine in considerable detail many of the propositions that had been put forward for agricultural relief in that section, and the plan which they indorsed unanimously was this so-called export corporation plan. I might say that this committee represented the Federal reserve bank in that section, the intermediate credit bank, the Farmers' Union, the Associated Farmers, the unorganized farmers, and the State of Washington Department of Agriculture, so that it was a representative group and one which had the interest of the wheat grower at heart.

In Idaho there has been a very strong sentiment for Senator Gooding's bill naturally, and we were sent back here to do what we could on behalf of the measure which seemed most likely to give the results desired.

The CHAIRMAN. This bill we are considering is not Senator Gooding's bill.

Mr. DALE. No, sir; I understood that.

The CHAIRMAN. Does your organization favor the Gooding bill?

Mr. DALE. The bill which I spoke of last favored the export corporation plan.

The CHAIRMAN. That is, the McNary bill?

Mr. DALE. The McNary bill; yes, sir. I suppose one reason why this measure has appealed to that section has been the export feature of it. We produced wheat for export in our section very largely. In fact, the wheat that is grown in our immediate vicinity finds its market in the Orient very largely.

The CHAIRMAN. You ship your wheat west?

Mr. DALE. Yes, sir; our outlet, of course, is on the Pacific coast, Portland and Seattle. A considerable quantity of it reaches Europe by way of the Panama Canal. Some is shipped back here to eastern ports and then reshipped to Europe, but a considerable quantity goes direct to the Orient; that is, to China, Japan, Hongkong, and other ports.

The CHAIRMAN. Did your committee give any consideration to the freight-rate question?

Senator NORBECK. This is wheat you are speaking of?

Mr. DALE. Solely wheat; yes, sir.

What was your question, Mr. Chairman?

The CHAIRMAN. I was asking whether, while you were considering this problem, the committee gave any consideration to freight rates?

Mr. DALE. This committee did not give any consideration to freight rates. There is an organization, of course, in Spokane, the Intermediate Freight Rate Association, which is very much concerned with the volume of freight rates, and a body which is seeking in every way to secure what they consider should be just transportation rates for our section. This committee felt that it could well center its attention on one proposition; that is to say, this plan which is embodied in the McNary bill. I think I might say, though, that if the committee had taken up the question of transportation I feel sure that they would have favored some relief in that direction.

Speaking of the export features of our wheat production, of course the domestic price of wheat in our section and everywhere else follows very closely the Liverpool price, and our farmers are not unaware of the fact that their local prices follow the Liverpool price even more closely than does the Chicago Board of Trade price follow the Liverpool price.

In shipping to the Orient and shipping to the East we do not ship a great deal, and what we do ship goes in the form of flour. It is milled before it leaves our section.

The pre-war exports to Asia—and much of it came from our section—were about 9,000,000 bushels per year—9,760,000 was the pre-war average of exports of wheat to Asia. In 1923, last year, we exported to Asia 14,500,000 bushels, but in the meantime the Canadian crop——

Senator NORBECK (interposing). That is the exports for the entire United States?

Mr. DALE. That is the exports for the entire United States; yes, sir. We are unable to segregate the exports by districts, but I might

say that in very large degree the wheat that is exported to Asia originates in the Pacific Northwest.

Senator NORBECK. When you speak of Asia you have reference to shipments that cross the Pacific, I suppose, that reached Asia through Pacific ports?

Mr. DALE. We reach Asia to some extent from the eastern coast, but to a very limited extent.

Senator NORBECK. Those shipments from the Atlantic coast would be also included?

Mr. DALE. Yes; but I think they could be discounted. Most of it goes from Portland and Seattle and some from San Francisco.

Senator GOODING. Have you a record of the shipments from Canada by way of comparison?

Mr. DALE. Yes, sir; I was just coming to that as being significent in this direction.

The Canadian pre-war average—that is, the five years before the war—was 153,000 bushels of wheat, a quantity, you see, which is practically insignificent.

The CHAIRMAN. That means that Canada does not ship her wheat in that direction?

Mr. DALE. She did not before the war; no, sir; but last year, in 1923, within this past year, she shipped 2,610,000 bushels. Now, that is not a very large amount of wheat, that is true, but when you compare it with the amount she was shipping before the war——

The CHAIRMAN (interposing). It shows the tendency?

Mr. DALE. It shows the tendency; and we are constantly impressed with the importance of this export feature.

The CHAIRMAN. Now, I would like to ask you there, if it will not divert you, and if it does, we can take it up at some other time, or you can answer the question now, just as you please.

We have had considerable evidence on the freight rates from Montana, North Dakota, and South Dakota, comparing the rates on the American side of the line as compared with the Canadian side. Can you give the committee any information now about the rates from Idaho going west, comparing the rates on the American side with those on the Canadian side?

Mr. DALE. Covering the same distance?

The CHAIRMAN. Yes.

Mr. DALE. I am very sorry, sir, that I can not do that.

The CHAIRMAN. Do you know whether there is any difference in them?

Mr. DALE. No, sir; I do not know.

Senator RALSTON. I think there is a difference recited in the resolution offered by Senator La Follette.

The CHAIRMAN. Well, I did not follow it closely, but I think those rates applied to eastern shipments, and we have had considerable evidence on that point, Senator. I have made somewhat of a study of it myself, but I have never gone into the question of the freight rates going west. I don't know whether the same rule applies there that does on the eastbound traffic or not.

Senator MCNARY. I can get that information for you, I think, and it would seem to be interesting to have in the record, Senator, because we have already in the record the differential on eastern rates.

You want the rate that covers that section that would naturally ship from the Pacific to the Orient their wheat?

The CHAIRMAN. Yes.

Senator MCNARY. I think I can get that.

Senator CAPPER. I think you will find the differential is practically the same.

Senator MCNARY. I would naturally expect it to be that.

Senator CAPPER. I have made some inquiry about that.

Senator MCNARY. It has a bearing on this question, of course.

Mr. DALE. May I say, then, by way of summary, that our pre-war average exportation was 9,760,000 bushels. This jumped last year to 14,500,000 bushels. The Canadian exports, which were trivial before the war, 153,000 bushels on the average, have jumped to 2,610,000 bushels last year.

This does not, of course, take into consideration the oriental imports from Australia and East India and other points of that sort. It would be interesting to segregate the Asiatic imports by countries; that is, that from Japan, Hongkong, China, etc. That is practically impossible, for the reason that a great deal of wheat is reshipped from one point to the other, so that any statement of total imports includes frequently wheat that has been shipped into the country twice, so to speak—that, is, reshipped.

These figures I obtained since coming to Washington from the Bureau of Foreign and Domestic Commerce in the Department of Commerce. They, I may say, are working on this problem of exports. I mention that, Senator, because, as I say, it is the export feature of this thing that appeals in large measure to the people of our section.

Now, I have not planned or prepared to go in detail into the economic features of this situation. I will simply conclude by saying that our section is very much behind this particular measure, and we feel that it would give us very much relief.

Senator GOODING. The big part of our export, of course, goes to England.

Mr. DALE. Yes, sir.

Senator GOODING. Some to some of the ports in South America, but our big export, of course, is to Europe.

Mr. DALE. I might say that from the port of Vancouver their big exports are to Europe or to England.

Senator NORBECK. That is by way of the Panama Canal?

Mr. DALE. By way of the Panama Canal; yes, sir.

Senator RALSTON. I would like to ask a question. Our exports have increased as compared to our pre-war exports?

Mr. DALE. Our total exports of wheat have declined in the last three years——

Senator RALSTON. Why?

Mr. DALE. May I just conclude?

Senator RALSTON. Yes.

Mr. DALE. Our total exports last year of wheat were above the pre-war average. As to the second part of your question, why, I would say that it is due to at least two things, or possibly three. In the first place, it is due to the fact that many sections of central and southern Europe, and northern Europe, for that matter, which were

big purchasers of our wheat before the war are now obtaining their wheat from other channels, a good deal from Rumania, which has come on the market.

In many cases the purchasing power of the people has so declined that they can not purchase the quantity of wheat they used to purchase.

Senator RALSTON. Is there any way to overcome that policy to buy in foreign markets?

Mr. DALE. That is a pretty hard question to answer, Senator. The restoration in some way or other of economic stability in Europe might be one way to secure that end, but that, of course, opens a very large question of international policy, etc., which I would not be competent to discuss.

The second reason why our exports are falling off is because Europe, and particularly England, the biggest wheat user in the world, is getting much of its wheat from Canada. Of course they had a very large surplus this year, a very large production.

Senator CAPPER. About what is the price of our wheat in England as compared with the Canadian?

Mr. DALE. Well, sir, that varies, depending upon grades, of course, and whether it is similar—from 18 to 28 cents.

Senator NORBECK. In favor of our wheat?

Mr. DALE. In favor of American wheat.

Senator GOODING. From what localities?

Mr. DALE. There again you can not lay down any definite point. That would be in the West, for example.

Senator NORBECK. The ports of export are about the same?

The CHAIRMAN. When it is exported that difference is the other way, is it not; a little higher, because it is higher grade?

Mr. DALE. Yes, sir. As I say, you have to take into consideration the question of grade. I was trying now to put the thing on the basis of the same grade of wheat. There are so many different factors entering into the price of wheat that it is difficult to do that—the factors of quality and gluten content—and it is always difficult to say that wheat here is worth so much, and here it is worth so much more or less, because such comparisons are frequently subject to a good deal of interpretation.

Senator GOODING. Do you know anything about the quality of the wheat from Canada that goes into competition with our wheat from Europe?

Mr. DALE. The wheat we produce in our Pallouse country is invariably of the high-gluten content. Our wheat is a soft wheat, and it is not of a particularly high milling grade, but it is the sort of wheat which can be made into flour and sold in the Orient.

Senator RALSTON. I hope the committee will not get the idea that I am trying to get into a tariff discussion, but I am trying to learn what the judgment of men like this gentleman is about the effect of the tariff on wheat in this country and the effect of it on the price of wheat.

The CHAIRMAN. That is a very proper question, Senator. I think it is all right. I don't see any objection to it.

Senator RALSTON. Just to be frank, I have always labored under the impression that it did not have any beneficial effect, and if I am wrong I want to know it.

Mr. DALE. Well, sir, in my opinion the tariff on wheat has helped to keep up the price of those wheats which come in competition with Canadian wheat.

Senator RALSTON. Those wheats are limited to what territory?

Mr. DALE. Well, sir, some of these wheat experts could answer that question better than I. I would say, roughly, eastern Montana and parts of North Dakota and Minnesota.

Senator RALSTON. That is, territory that could reach Minneapolis?

Mr. DALE. They can reach that particular market; yes, sir; and the conditions on one side of the line and the other are not particularly different.

Senator RALSTON. What about the great bulk of wheat that is produced in this country? What effect has the tariff had on that?

Mr. DALE. Well, flour, of course, is made by the blending of wheats, so that I would say that the existence of the present tariff on wheat has probably—I think unquestionably, for that matter—raised the general level of wheat prices in this country to some extent.

Senator RALSTON. If the price of wheat goes down 30 cents, what effect would the tariff have on it?

Mr. DALE. Well, the price of wheat is, of course, very largely set in the European markets.

Senator RALSTON. And to that extent the tariff would not have any effect on it?

Mr. DALE. The tariff can not immediately affect the Liverpool price; no, sir; but the tariff can have an influence in keeping out quantities of Canadian wheat. That is, it can encourage the marketing of such wheat, particularly in England.

Mr. RALSTON. You say that is a vastly superior wheat to the wheat we produce here?

Mr. DALE. No, sir; I would not say vastly superior. It is superior to the wheat which we produce in Idaho, in the so-called Pallouse section. We use that term to cover eastern Washington and northern Idaho. Georgraphically they are very much the same.

Senator RALSTON. How does that compare in quality to the best wheat produced in the States of the Northwest?

Mr. DALE. Would you like to have me make a comparison?

Senator RALSTON. I wish you would.

Mr. DALE. I would say it is inferior in quality.

Senator NORBECK. Canadian wheat?

Mr. DALE. No, sir; our own wheat. The wheat we raise in the so-called Pallouse section in Washington and Idaho is inferior to the better qualities of Canadian wheat, but I am unprepared, I am sorry to say, in fact I have not the information to speak intelligently on questions of gluten content and the like of wheat.

The CHAIRMAN. You are comparing the wheat raised in the Pallouse country with the wheat raised across the line?

Mr. DALE. No, sir; I was comparing the Pallouse country wheat with the better grades of wheat which are raised east of the Rockies.

The CHAIRMAN. I would like to have you compare that raised in the immediate vicinity of Canada.

Mr. DALE. It is very much the same.

The CHAIRMAN. In Canada?

Mr. DALE. In Canada. They seem to have the climatic conditions, and I understand they are developing breeds of wheat and varieties of wheat which promise very high production for that section.

Senator GOODING. I might say to the Senator from Indiana—and I am quite sure we are very fortunate in having the Senator here taking such a great interest in this matter—that Canadian wheat at Winnipeg usually sells for about 5 cents a bushel higher than the same grades on this side; that is, the same class of wheat. That is, it grades a little higher than ours, and that is about the difference in the grading. For instance, when wheat was on the free list wheat was selling 5 cents a bushel higher in Winnipeg, Canada, than ours.

The CHAIRMAN. That was, I suppose, because of the difference in grade?

Senator GOODING. A little higher. The same class of wheat but a little higher grade. That is it.

The CHAIRMAN. In other words, the farther north you get the better quality you produce? Is not that true?

Senator GOODING. No; I would not say that, Mr. Chairman. That particular country grades what is called the hard wheat.

The CHAIRMAN. I know; but we raise hard wheat in Montana and North Dakota, also.

Senator MCNARY. Is not the Minnesota wheat superior to the Canadian?

The CHAIRMAN. I understand not. I may be wrong about that, but I have gone into it and listened to other people who have gone into it.

Senator GOODING. I think, Mr. Chairman, possibly the best answer to that is what it brings on the market at Winnipeg and Minneapolis and in Europe. This quality of wheat is grown in the Northwest mostly, and goes to the foreign markets. I have worked that out to find out, and this is what I have found when wheat was on the free list, that the average was around 5 cents higher in Winnipeg than on this side of the line. The emergency tariff bill increased the price of wheat on this side anywhere from 15 cents to as high at times as 30 cents a bushel, and it has had a considerable influence on the price of wheat this year. Our wheat grown in North Dakota and South Dakota, Montana, and Minnesota is so near the grade of Canadian wheat that it is used to mix with lower grades in this country to blend with to make a merchantable wheat, and is sold in this country, so far as that is concerned.

You understand that from wheat coming from that part of the country we make our best grades of flour by blending. The tariff, I understand, does not affect very much, if at all, the price of wheat that we export from the Northwest. It has had some little influence here in the East, not more than about 2 cents a bushel. Sometimes it is even less than it is in Winnipeg, but generally it is very much above. This year, for some reason or other, there was 8 to 10 cents difference in the price of the same grades of wheat here in market value and in Winnipeg.

Senator NORBECK. That is, in our favor?

Senator GOODING. In our favor. It is usually sold at Liverpool at anywhere from 9 to 10 cents a bushel less than Canadian wheat, yet this year it is higher.

The CHAIRMAN. All right, Mr. Dale.

Mr. DALE. That concludes what I have to say.

Senator CAPPER. I would like to ask the witness if he has any figures on the difference in cost of producing wheat—that is, the average difference in cost of producing wheat in Canada and in the United States?

Mr. DALE. No, sir; I have not. The gentlemen who will follow me can answer that.

STATEMENT OF MR. G. B. MIX, MOSCOW, IDAHO.

The CHAIRMAN. First state your name.

Mr. MIX. G. B. Mix.

The CHAIRMAN. Where do you live, Mr. Mix?

Mr. MIX. At Moscow, Idaho.

The CHAIRMAN. What is your business?

Mr. MIX. I am a farmer.

The CHAIRMAN. How long have you been farming?

Mr. MIX. I have always lived on a farm.

The CHAIRMAN. How extensive have been your farming operations? What is the size of your farm?

Mr. MIX. My farm is a thousand acres.

The CHAIRMAN. All right. Now, go ahead and make your statement in your own way. Give us your ideas in regard to this bill.

Mr. MIX. The farmers of that country, and all the people, of course, are greatly interested in something that will bring wheat up to a point where they can make a little profit out of raising it. We feel sure, and it is true, that there has been no wheat raised for the last five years that absolutely has not been sold for less than cost of production. As the result, of course, of its being a wheat country the farmers are getting in very bad condition and the people are leaving the farms. You can not keep the boys on the farms. They can not live as well as the city man does in any way, and so they are very much interested in some legislation. They do not feel that this situation has been properly taken up and they feel a lot of it is legislative. That was the feeling in their meetings which have been lately held.

Something like a year ago Senator Gooding introduced a bill here which has received an enormous lot of discussion all over that country. In fact there have been meetings held in almost every important place, and that bill, being the bill that was up before them and discussed at every meeting, I think, that I have attended—and I believe I have attended practically every one, except the one out at Spokane, which was much later than the one held before—they came out and indorsed the Gooding bill very strongly, but in being sent back here I was sent back with the thought that you men probably would not have a fair chance to give us the help that we really need, unless we could at least center our forces and get behind something ourselves. That is the feeling amongst the farmers.

The CHAIRMAN. Now, with that feeling in mind, did you get behind something; and if so, what was it?

Mr. MIX. Well, after getting here, of course the bill that has just been introduced, the McNary-Haugen bill, seems to answer every purpose that the Gooding bill does, and it did not seem to have the

opposition that the Gooding bill has, perhaps because it was not introduced first. As the Gooding bill came out first it was taken up very violently by the big newspapers as being economically unsound and everything else, even though we felt that the Government had discriminated in business with everything else excepting agriculture; but when this was brought up they seemed to feel that it was very radical.

The CHAIRMAN. The feature of the Gooding bill, that received the most criticism from the sources you have mentioned, was the price-fixing feature.

Mr. MIX. Yes; the price-fixing feature.

The CHAIRMAN. That is involved in the McNary bill.

Mr. MIX. No, sir; it is not. It is arranged on an absolute schedule and can go up and down with other products; the McNary-Haugen bill goes a little further and takes in other agricultural products that can be taken care of if they get in the position the wheat farmer is in at the present time, as I see it.

The CHAIRMAN. Now, Mr. Mix, getting back to your position there now in Idaho and Washington, wheat is your chief product, you say, and that is the reason, since you have been producing it all the while, that that country has gone back, or at least the farmers have. Is there any diversification there? Is wheat the only thing that is produced? Is it adapted to other things?

Mr. MIX. Yes; that country can be diversified, but this diversification proposition is overestimated by a good many people. You can not change over from wheat farming to dairy farming and those other things. It is a question of growth, and some men are adapted to those things and some are not.

The CHAIRMAN. Taking it before the war, before the campaign to raise more wheat, when artificial conditions existed, so that every farmer was urged to produce wheat, had you diversified then?

Mr. MIX. We had diversified a great deal.

The CHAIRMAN. Did you lose any of that diversification?

Mr. MIX. We had quite a few hogs, and we fed wheat, the only thing we raised to feed our stock. During the war a man that attempted to feed wheat to stock was held up as not loyal to the Government, and, of course, the Government came out and discouraged the consumption of wheat in every way, and, of course, that to a great extent did have its effect on the country.

The CHAIRMAN. Can you produce corn?

Mr. MIX. No.

The CHAIRMAN. Alfalfa?

Mr. MIX. Oh, yes; we can produce alfalfa.

The CHAIRMAN. Sweet clover?

Mr. MIX. We had a great deal of alfalfa, but it was plowed up and put into wheat at that time.

The CHAIRMAN. As a rule, has it been a profitable crop?

Mr. MIX. As a food crop, it is, to feed stock, but not to ship out.

The CHAIRMAN. Do you raise oats, rye, and barley?

Mr. MIX. Yes.

The CHAIRMAN. Is that country well adapted to its growth?

Mr. MIX. Yes; it is well adapted to that.

The CHAIRMAN. How about your pastures?

Mr. MIX. We have to make them with sweet clover.

The CHAIRMAN. You don't have any wild pasture?

Mr. MIX. No; we haven't. That is purely a wheat country; no waste land. It is all wheat.

The CHAIRMAN. The land, as a rule, is rolling country?

Mr. MIX. It is a rolling country; yes. Of course the farmer has to take his chances on all conditions of weather there 12 months in the year, and sometimes he gets a crop and sometimes he does not, but the amount of crop we have been getting has not had a great deal of influence. We have lost money anyway.

The CHAIRMAN. You can not produce a crop of wheat on land one year after another, can you?

Mr. MIX. No. They figure on a crop every other year.

The CHAIRMAN. So really the wheat farmer has to have double acreage. If he wants to produce a hundred acres of wheat each year he really has to farm 200 acres to do it?

Mr. MIX. Yes; and of course he must have some more to take care of his stock, but they figure on a crop every other year.

Senator GOODING. Did you attend the Spokane meeting, Mr. Mix, at the time Mr. Meyer was there and Mr. Mondell?

Mr. MIX. Yes; I did.

Senator GOODING. I wish you would tell the committee about that meeting.

The CHAIRMAN. You mean Mr. Eugene Meyer, of the War Finance Corporation?

Senator GOODING. Yes.

Mr. MIX. When they started on this trip as representatives of the country and the Secretary of Agriculture, to bring some assurance that would be encouraging at least to the farmers, a meeting was called at Spokane, and it was largely attended, and at this meeting these men came out, of course, for cooperative marketing very strongly, and that was discussed there from their point of view in every way, shape, and form, but the cooperative marketing does not take care of this emergency right now. There is no question about that. The farmers will not get together. It is nice to talk about, but it does not bring results at the present time, although ultimately it may be the final answer.

I noticed that these men, in making their report when they got back, claim in their published statement that the farmers were not in favor of price fixing of wheat. I wish to say at that meeting the question never was brought up, but one person did talk of the Gooding bill, claimed that that was the thing that they wanted, and it received much more favor than any other expression at the meeting. The general expression at the meeting was that cooperative marketing would not solve our present difficulties at all, because the farmers need relief, and they need it on their coming crop. They needed it on this one, but they will get by in the hope that there will be something done before the next crop to help their condition.

Senator GOODING. Mr. Mix, the rules and regulations put on by the Council of National Defense or the Food Administration rather drove people out of the swine-breeding business there, did they not?

Mr. MIX. Yes, sir.

Senator GOODING. And destroyed it?

Mr. MIX. Yes, sir; because they had nothing to feed, and they simply got rid of their hogs and everybody went into wheat.

The CHAIRMAN. Prior to that time you had been feeding wheat to hogs?

Mr. MIX. Yes, sir. Wheat is the main crop there. Of course, they raise some barley, but wheat is the hog feed in that country. If we feed corn we have to get it from the Middle West.

I think at this time the farmers feel this way: That when the price was fixed on wheat it was selling at that time at $2.72 in Chicago and $2.50 in Moscow, and when the price was fixed it immediately dropped to $2.20, at which we all sold.

The CHAIRMAN. You did not get $2.20 there, did you?

Mr. MIX. I mean $2 at Moscow. They sold it at $2.20 in Chicago. It made about $2 there. Of course, that was a loss that we thought nothing of. We thought that was all right; but even after the war was over and the price was taken off, wheat again went to $3 at Chicago, and had the price of wheat not been fixed by the Government, wheat would have gone to a very high price, of course to the benefit of the wheat farmer, and they feel that of course their Government, in the way they took care of the railroads—the railroads were taken back, and properly so, no doubt, and were given a 6 per cent guaranty for awhile, and later they were allowed to make a little smaller percentage, and even in view of the fact that the automobiles and motor vehicles and all those things came in and took part of their business, yet they were maintained in that way, and the wheat farmer has lost in exactly the same way—the automobile and truck have taken away the demand for horses and for the oats and hay and those things, yet he has to suffer this as an absolute loss.

Senator GOODING. Mr. Mix, what is the condition of your farmers in that wonderful country? I would say, Mr. Chairman, I doubt if there is any country in the world that is more productive than the Pallouse country.

The CHAIRMAN. I think that is right, Senator. I have been there myself.

Senator GOODING. Yes. It is a wonderful country.

Tell the committee the condition of the farmers generally through that country, the wheat growers, and that is all they have up there, practically, is wheat growers?

Mr. MIX. The wheat growers there, of course, are mortgaged up to the fullest extent of what they have been permitted to borrow on their lands, and they have borrowed possibly $40 or $50 an acre throughout that country. Our land did not run way up to a high figure during the war, probably $150 an acre. Now, wheatland, figured from any standpoint from what it would produce, is not worth anything, and of course that hurts the financing of the people in that country very much. The country is mortgaged up, I would say, practically all of it, and the renter is entirely out of business, so far as that part of it is concerned. Most of them have already had their sales.

Senator JOHNSON. What is the situation of your bankers in your part of the State?

Mr. MIX. The banks in that part of the State are all solvent and seem to be able to take care of the farmer up to the present time, although they are making no new loans or anything like that.

Senator GOODING. The wheat grower has been going backward for a number of years now?

Mr. MIX. Yes. He has been going backward.

Senator GOODING. He simply can not carry on on the present cost of production?

Mr. MIX. No; he can not. His back is right up against the wall now as it is.

Senator GOODING. Are your farmers out in that country giving up their farms?

Mr. MIX. Yes; of course they are making every effort to keep them on, because the bankers do not want their places. They have got to put somebody else on to run them, and they want to keep them on there until they can come out, but people are leaving the farms, and particularly the renters, who are absolutely up against it.

Senator JOHNSON. What percentage of dairying is going on in your section?

Mr. MIX. Well, I would not hardly know how to fix that on a percentage basis, Senator, I don't believe. There is quite a little dairying, though, through that section, fully up to the demand. Now, for instance, that is true since diversification has come in strong and before the war it was a little stronger, and during the war, of course, they dropped away, but since then, take a year ago, whole milk at Moscow was selling at 30 cents a gallon. They shipped in any amount of cows there and whole milk to-day in Moscow is selling at 20 cents a gallon, so that there is a very good chance to overdo those things.

As I say, those things are a matter of growth, it seems to me. You can't change in such a short time.

Senator JOHNSON. Is there any demand in your State, do you think, for more diversification, and is there a demand for any assistance under the Coulter plan that you have heard of?

Mr. MIX. Well, there would not be up in our particular section, no. They are branching out about as fast as the country will stand, I think, along those lines, and at least are financing themselves pretty well in diversification.

Senator GOODING. The banks up there are able to take care of the farmers along that line?

Mr. MIX. Yes, sir.

Senator GOODING. I think that is true.

The CHAIRMAN. Is there anything else?

Senator JOHNSON. We haven't had anything from this witness about stock. Have you got fair returns from your stock that you sold?

Mr. MIX. The dairy cattle?

Senator JOHNSON. No.

Mr. MIX. You mean beef cattle?

Senator JOHNSON. Beef cattle; yes.

Mr. MIX. No. Beef has been very low, as a rule. Beef, of course, runs up and down quite a little. By the time you get a bunch ready to sell it drops.

Senator JOHNSON. Where is your market from your State? Is Kansas City nearest, or what place?

Mr. MIX. Of course, our Spokane market there is close, and the Portland market. Wheat is exported to a considerable extent. I don't know that any of it is shipped to Kansas City. I don't know. There probably is some of it. But all of those things, it seems, all of the things that the farmer has, are shipped almost in proportion to wheat.

Senator GOODING. What is going to happen to that country if the cost of production remains where it is and the price of wheat is not increased? What is going to become of that wonderful country up there? You have lived there from your boyhood and farmed there, and you understand the condition of that country, Mr. Mix? What is the future of it; what do you think about it?

Mr. MIX. It would be pretty hard to picture it as bad as it probably would be, because the country would be lost to production, because they can not maintain themselves on the farms and the farmers will get out. As I say, the young men are not staying on the farms.

Senator GOODING. What price did you pay in the harvest field this year?

Mr. MIX. We paid five and six dollars a day. That is for the common labor, and specialized labor, of course, went higher. Labor has been kept right up.

Senator GOODING. What class of labor are you getting now? How does it compare in efficiency with what it was before the war?

Mr. MIX. Of course it is not as efficient. Labor in that country is not as bad as it was in some places. Of course it was scarce, I might say, owing to the fact that so many young men who lived on the farms had gone to the industrial sections to work.

Senator GOODING. The farmer boy generally has gone?

Mr. MIX. They are generally gone. We used to get neighborhood crews, which is not possible any more. They have got to hire their help and get them from Portland and Seattle and those centers. They get them to send them men, and they take what they can get and try to hold them. That is all there is to it.

Senator GOODING. They are a class of men that can not hold a job on the railroads or in the industrial communities? Is that the condition up there?

Mr. MIX. Yes. They are not good help at all. I can give you the cost of production on my place, which I have figured out, if it would be interesting at all, of wheat. I can file that with you.

The CHAIRMAN. Tell us what it is. You say that is on your farm?

Mr. MIX. This is my own farm.

The CHAIRMAN. Do you keep books?

Mr. MIX. Yes, we do. We keep books accurately.

The CHAIRMAN. Tell us about the cost of production?

Mr. MIX. Last year I raised 520 acres of wheat. This 520 acres averages 26 bushels to the acre, which is a fair average.

Senator JOHNSON. Is that on irrigated land?

Mr. MIX. No.

Senator JOHNSON. That is not irrigated land?

Mr. MIX. No.

The CHAIRMAN. That is summer fallow land, Senator.

Mr. MIX. Yes; it is summer fallow land.

The CHAIRMAN. He could not do that two years in succession on the same land. You must remember that.

Mr. MIX. No, sir; we would not put this 520 acres of land in wheat two years in succession. We summer fallow it.

The CHAIRMAN. They raise a crop every other year, so you must count on a man's farm being twice what his acreage in wheat is. What he raised wheat on this year will be summer fallowed next year.

Senator GOODING. How would it be if you turn it around and call it 13 bushels to the acre?

Mr. MIX. No; that would hardly do, for the reason that summer fallowing expense is not as heavy as in the harvest year.

The CHAIRMAN. But your taxes, for instance, would be the same?

Mr. MIX. The taxes would be the same.

The CHAIRMAN. And the land investment would be just exactly the same.

Mr. MIX. That is one bad thing. Of course, the interest goes right on.

The CHAIRMAN. The interest on your mortgage does not summer fallow?

Mr. MIX. No. So you would not be far wrong in the statement you made.

The CHAIRMAN. I wish you would give us all the items and how you figure the cost.

Mr. MIX. The plowing on our place of this particular land amounted to $1,456.

In working this out, up to the harvest time I have figured the horses. We have 22 horses on our place, and we hire our men, some by the year, and some by the month. The plowing is $1,456. The harrowing was $140. Drilling this 520 acres, one man and six horses, $390. The seed, $858. We seed a bushel and a half to the acre out there, and that amounts to $858. That was figured at about 90 cents. The vitriol for fighting weeds amounted to $52. The poison for the ground squirrel, which is quite a pest in that country, was $132. That is the cost of poison and liquor. Taxes on this land amount to $1,170.

Senator NORBECK. Is that for the entire farm?

Mr. MIX. That is for the entire farm. The taxes were $1,170 for the year.

Binding, $222. Of course, now, that might appear cheap to you, and it would be, excepting this, as I say, we hire men. We pay our men—one $85 and one $80, two men that we keep all the year, and they figure just the same at that time when they are working at binding as they would during the winter months, when they are really not doing anything. So the binding is $222. Shocking, $348. Threshing—and we own our own threshing machine and all machinery, and this is the absolute cost—$1,898.30.

From here on we do not count anything for our horses whatever, because we have them on the place. We do not figure that, and we do not figure for the administration, for my time, for instance, on the place. That is not figured, because we don't have to pay that right out.

The CHAIRMAN. Do you figure any interest on your investment?

Mr. MIX. No, sir; we are figuring that we own the place absolutely, which we don't.

Senator RALSTON. If you had to buy a new piece of machinery to take care of that crop you would not take that into consideration?

Mr. MIX. Yes; we would pay that out. This is what money we have paid out. The horses we had on the place we have not figured.

Senator NORBECK. Have you figured any rentals?

Mr. MIX. No; fuel, $347.32; hauling, $343.80; cooks, for the cook house, $312; groceries, $762.68. That, you understand, is for the cookhouse.

Senator NORBECK. That is beside the $312?

Mr. MIX. Yes, sir.

Senator NORBECK. That was for labor?

Mr. MIX. That was for the cooks; yes, sir.

The meat bill was $334.80. Sacks and twine, $1,144.60. Repairs, $377.60. Workmen's compensation and insurance was $393. That all makes a total outlay on this farm of $10,682.10, and we produced 13,520 bushels of wheat, which would make a cost of 79 cents per bushel figured as I have figured it.

Senator RALSTON. You figured two hundred and some dollars for binding. That was the outlay?

Mr. MIX. That, Senator, was the cost of binding. We own the machine.

Senator RALSTON. It cost you that much?

Mr. MIX. That was the labor.

The CHAIRMAN. He did not figure in the cost of the machine, Senator.

Senator GOODING. No depreciation at all for the machine?

Mr. MIX. No.

Senator GOODING. This is very interesting, Mr. Chairman. Let us work this all out.

The CHAIRMAN. Yes; let the witness work it out.

Senator GOODING. Yes. Let us have it all worked out.

Mr. MIX. As I say, that shows a cost of 79 cents, and you understand these horses have to be kept over the winter months, and your men are kept on the place during the winter months, and they do nothing constructive. They work around on the place, and we keep them there to take care of different things, but this is figuring the actual outlay that it costs to raise 13,520 bushels of wheat, owning the land. We did put the taxes in this, because that has to be paid right out, but we did not figure in the interest.

Senator GOODING. No interest on the investment at all?

Mr. MIX. No.

The CHAIRMAN. Let us see. There is no interest on the investment, there is no interest on the mortgage, there is no cost of any machinery——

Senator GOODING. Or depreciation.

The CHAIRMAN. No.

Mr. MIX. No depreciation.

Senator GOODING. And no profit; and what do you do?

Mr. MIX. No cost for myself or my family, and I milk cows and work on the place.

Senator GOODING. That is, you are the general superintendent and manager?

Mr. MIX. Yes, sir.

The CHAIRMAN. Now, in dollars and cents what did that leave at 79 cents a bushel? How much money did you have left?

Mr. MIX. You see out of the 13,520 bushels for this next year, for the 500 acres, I had to save 800 bushels of wheat for seed, and of course that means that for what is left it has left me in the hole, so far as that is concerned. It set me back.

The CHAIRMAN. Yes; I know, after excluding all the things that you excluded, you are still in the hole.

Senator NORBECK. What was the total value of the wheat compared with your expenses as you have counted them up there?

Mr. MIX. The average price that this wheat would have sold for was about 80 cents.

Senator NORBECK. And it cost you 79?

Mr. MIX. Seventy-nine.

Senator NORBECK. Not counting the large items of cost, such as the investment and your own time?

Mr. MIX. No; not counting anything like that.

Senator NORBECK. Nothing for the replacement of horses or machinery as it might occur?

Mr. MIX. I worked that out that way because I thought perhaps it might be thought that I was trying to work it out with the idea of getting as big a figure as possible, and I worked it out with the idea of getting as small a figure as possible.

Senator GOODING. You have kept regular account of your expense, have you?

Mr. MIX. Oh, yes, sir.

Senator GOODING. That I have understood. I want to say that Mr. Mix is known as one of the most successful farmers in Idaho and the Northwest.

Senator RALSTON. Because he makes a cent profit——

Senator GOODING. He is a very thorough farmer. The point I want to make is that when Mr. Mix can not make anything on a farm nobody else can.

Senator JOHNSON. Mr. Mix, there is one item that looks pretty high to me, but maybe I am mistaken. Maybe it should be the other way. You said shocking the grain—is that what you meant?

Mr. MIX. Yes.

Senator JOHNSON. That was $348. How do you figure that?

Mr. MIX. Well, now, I will tell you. If you could get labor that will work, I imagine that would be a little high, Senator, but we hire these men and pay them $5 a day and board.

Senator JOHNSON. And you only hire them for that period?

Mr. MIX. Yes, for that time, and it takes five men to follow two 7-foot binders. The straw was very big this year, and in fact bigger than the crop would indicate.

The CHAIRMAN. That represents what you actually paid?

Mr. MIX. That represents what we paid out for the shocking, absolutely.

Senator GOODING. I don't see any item for expense of hauling the wheat to the elevator.

Senator JOHNSON. Yes, that is here.

The CHAIRMAN. Did you give that?

Mr. MIX. Yes, sir. The hauling was $343.80. It would be something like 6,000 sacks. We hauled it ourselves.

The CHAIRMAN. In that hauling you have nothing for horses or wagons?

Mr. MIX. No, nothing for horses or wagons or anything like that.

The CHAIRMAN. Only your actual hired help?

Mr. MIX. Yes.

Senator JOHNSON. During the war time, when wheat was high, but not as high as it would have been if it had not been for the price fixing, on a farm of your size, under good management, as a matter of comparison, let us look at the other side. Now, at that time you would have made some big profits, would you not, unless you had to pay unusually high in comparison with that price?

Mr. MIX. Yes. Ordinarily you could have made a good profit.

Mr. JOHNSON. That is just what I wanted to point out.

Mr. MIX. But we did not as it was.

Mr. JOHNSON. You did not?

Mr. MIX. No, we did not. Everything jumped in proportion, and we went ahead, of course, and tried to put in more crops. The year was somewhat drier than usually there and they did not get good crops, and they bought more machinery, and of course machinery more than doubled in price, and all of those things, and when they got through they simply had not made anything, although that was not in their minds, you know. The war was what they, like everybody else, were thinking of.

Senator GOODING. That country, Mr. Mix, is what might have been called a rich country before the war, was it not?

Mr. MIX. Yes, sir.

Senator GOODING. The people were pretty well to do?

Mr. MIX. Yes, sir.

Senator GOODING. And generally out of debt?

Mr. MIX. That was as sure a productive country as any country can be. They were generally out of debt, yes. Of course, the people that are not in debt now are people that don't live there, people who retired and moved to cities and are renting their land.

The CHAIRMAN. Do you live in town or on the farm?

Mr. MIX. On the farm. I am there nearly every day of my life.

The CHAIRMAN. Have you ever made a comparison of these same figures, including in those the charges that everybody would admit would be proper charges, like interest charges and rental values and reasonable pay for yourself and depreciation of the machinery and cost of keeping the stock, etc.?

Mr. MIX. Well, now, the Government conducted a survey through that country, and they did it very thoroughly. They took a number of farms—I think something like 44—and they carried out all of these different features, and I think they went into it to the last thing, to berries, or anything that you might use on your table, and it was very much more thorough than the average farmer can work out, I am sure. On our place the cost of production that year that they worked out was $1.29 a bushel, according to their own figures.

The CHAIRMAN. That is on this same farm?

Mr. MIX. Yes sir.

Senator RALSTON. That would make a loss of the difference between the cost price and the selling price. You sold for 80 cents, didn't you?

Mr. MIX. The average price of wheat through there is about 80 to 82 cents.

Senator RALSTON. And it cost how much?

Mr. MIX. $1.29 was the actual cost they figured. They figured, I think, the interest charges and those things that would come in, of course, that a man farming has to meet, and on this survey it ran all the way from this price, you might say, up to around $3 per bushel that wheat cost. They worked mine out, on this basis, at $1.29.

Senator GOODING. Some as high at $3?

Mr. MIX. Yes.

Senator JOHNSON. Mr. Mix, you brought up what I believe is a pretty good point, and that is when you mentioned that the railroads were helped out. Do you believe that the farmers should in some way during two or three years' time be assisted in the same way to bring them back on their feet?

Mr. MIX. I certainly do. I don't see how they can come back without it, Senator.

Senator JOHNSON. You think so?

Mr. MIX. I believe that they should. I believe that they are entitled to legislation to help them out.

Senator JOHNSON. You would, then, favor, if I understand you right, some kind of emergency legislation to be in effect for a period of two or three years, anyhow?

Mr. MIX. Yes; that long, anyway.

Senator GOODING. That country went on record and passed a resolution favoring the wheat stabilization bill?

Senator JOHNSON. Well, we did in St. Paul, too, almost unanimously, a year ago this spring.

Senator RALSTON. Are you still for it?

Senator JOHNSON. Oh, I am for it.

Senator RALSTON. I mean your people.

Senator JOHNSON. Oh, yes, they are.

Senator GOODING. The people of Idaho, Senator, are for my bill. They realize it would give positive relief. But this, I think, we generally agree on, that a price-fixing bill can not be passed, or it is very doubtful whether it can pass or not, and, of course, we have to work out something that is going to give the farmers relief, and we want to get the best thing we can.

This has got to be done, to my mind, because a real emergency exists, as I see the condition of the wheat grower.

Senator JOHNSON. What I would like to get out of this witness is this, that the people up there in his State are of the same opinion as the delegates to this price stabilization conference held in St. Paul. I am not going to go into this, because we have a witness here, but the people in answer to the Senator across from me don't believe in price fixing, but as a matter of emergency legislation they were for it, you understand. They don't believe that one single industry, like the railroads, or anybody else, should be helped, and

nobody else, but as a matter of emergency they were willing to help out the situation of the farmers to enable them to get back on their feet. Therefore, they were in favor of the Gooding bill, and that is just what I want to get out of you.

Mr. MIX. That is exactly our case.

Senator JOHNSON. And you represent the farmers out there, and the people believe what you believe, not everyone, but as a rule?

Mr. MIX. They are very unanimous out there, Senator. I think they are practically unanimous.

Senator JOHNSON. That is what I want.

Mr. MIX. They are practically unanimous, I would say, behind that idea.

Senator JOHNSON. Another thing. You have lived out there for a number of years. Have the farmers been very much in favor, or have they backed cooperative marketing and other cooperative enterprises to assist them, and so on?

Mr. MIX. No; they have not. Not very much. They have not gotten into that. They figure this way, that temporary relief now would probably put them in shape so that they would look forward with some hope of getting together on those things, but the farmer is not in a state of mind now to go to and ask him to pay a dollar to join anything, like they would have to do. It means an organization, as I understand it, of course, and all getting together, and they are in just this situation: They are not of that state of mind at this time.

Senator GOODING. They are very much discouraged, are they not?

Mr. MIX. They are very much discouraged; yes, sir.

Senator JOHNSON. Your neighbors have not been in Mr. Jewett's organization or any other pooling proposition in order to market their grain?

Mr. MIX. The wheat growers have considerable strength, yes, out through that country. I misunderstood you if that is the question you asked a while ago.

Senator JOHNSON. Yes; that is what I asked you.

Mr. MIX. Yes; they have some strength out through that country.

Senator JOHNSON. But you agree that that organization or any other organization has not been successful in securing very much benefit for you?

Mr. MIX. Not up to the present time, I would say. We haven't gotten into it strongly enough for that.

Senator JOHNSON. Of course they are not to blame for that, because circumstances were such that they could not help themselves.

The CHAIRMAN. Will you hand the statement referred to in your remarks to the stenographer, to be incorporated in the record?

Mr. MIX. Yes, sir.

(The statement referred to is here printed in full, as follows:)

Five hundred and twenty acres wheat, 26 bushels to the acre.

Plowing	$1,456.00	Fuel	$347.32
Harrowing	140.00	Hauling	343.80
Drilling (man and 6 horses)	390.00	Cooks	312.00
Seed (1½ bushels)	858.00	Groceries	762.68
Vitriol	52.00	Meats	334.80
Poison	132.00	Sacks and twine	1,144.60
Taxes	1,170.00	Repairs	377.60
Binding	222.00	Workmen's compensation and insurance	393.00
Shocking	348.00		
Threshing	1,898.30		10,682.10

.79

13,520) 10,682.10
9,464.0

1,218.10
1,216.80

1.30

This does not include the rancher's own time, nor his 22 head of horses and the wagons during threshing.

The CHAIRMAN. Is that all, gentlemen? If so, I think Mr. Jewett is the next witness.

STATEMENT OF MR. GEORGE C. JEWETT, GENERAL MANAGER AMERICAN WHEAT GROWERS' ASSOCIATED, SPOKANE, WASH.

Mr. JEWETT. My name is George C. Jewett. My home is Spokane, Wash. I am general manager of the American Wheat Growers' Associated. That association maintains offices at Portland, Oreg.; Seattle, Wash.; Spokane, Wash.; Minenapolis, Minn.; Duluth, Minn.; Omaha, Nebr.; Kansas City, Mo.; and Sterling, Colo.

We are a cooperative marketing institution, operating on what is termed the commodity plan or, in other words, the pooling plan.

Senator MCNARY. May I ask you right there, in how many States does your organization operate?

Mr. JEWETT. We operate in nine States. Do you wish me to enumerate the States?

Senator MCNARY. I would like to have that for the record, yes.

Mr. JEWETT. Oregon, Washington, Idaho, Montana, North and South Dakota, Minnesota, Nebraska, and Colorado.

We have been in operation for four years. We have assembled a membership of approximately 65,000 wheat growers. During these four years we have given a very careful study to the wheat situation and, as incident thereto, to the general farm situation.

For the last two years there has been crystallizing within our organization a strong unified sentiment in favor of the substance of the bill you have before you—Senator McNary's bill.

There were some who favored a price-fixing bill; some who favored Senator Gooding's bill, and some who did not. I think, however, it is fair to say that all elements have finally crystallized their views in the measure before us. We, in our cooperative movement,

have learned to realize what we can hope to do and what we can not hope to do. We fully understand that there is a situation in a commodity that produces a surplus that we can not reach.

In other words, a commodity that produces a surplus, that surplus must be sold on the markets of the world. When that is the situation I think everyone is agreed that the price available for the surplus in the markets of the world becomes the price available for the total crop, both domestic and in foreign markets. That is specifically true in wheat, with a very minor exception as might be applied to our hard spring wheat States, which produce somewhere around one hundred to one hundred and twenty-five million bushels of wheat on an average. That particular grade of wheat takes a price usually above the world's level, but, to quite an extent, regulated by the price of the so-called export wheat which sets the base on which the whole wheat price structure is built.

We realize that our present difficulties are on acount of the lack of purchasing power of the commodity. We are producing, as usual, but we are not receiving a price in keeping with general conditions, and the cost of production. In many sections the price is as high but not any higher than it was in pre-war times, but the cost of production, of course, as the committee understands, is materially changed. It is the relative that is causing the widespread farm distress.

My duties carry me over the nine States enumerated. In addition, I have been in numerous other States where movements of the character of ours are now being developed. I have had occasion to study the situation very closely. I have attended hundreds of farmers' meetings where this subject has been the main subject of discussion, and at those meetings many and varied aspects of the situation were developed. I think I am very safe in saying that the distress is not localized, that it is not a distress incident to wheat territory, but it is a uniform situation with very few exceptions. I found in the Eastern States that the situation of the farmer is not far different from that of the farmer in the Western States.

I find in sections which are termed, and rightfully so, diversified sections, there is no prosperity. Pure dairy sections are getting along fairly well. The wool men are doing fairly well. But that pretty near says it all in the farm field.

We think this bill that the committee has before it is a sound, substantial relief measure, and not only a relief for wheat but likewise a relief for other agricultural commodities. It is a relief based on the self-help principle which the American farmer likes to recognize. It is not asking for a Government subsidy in any respect. It is not asking for more than the establishment of the pre-war ratio. The farmer wants to be placed back in the same relative position he was in prior to the war, a time when American agriculture was getting along quite satisfactorily, and under a like condition undoubtedly would get along satisfactorily in the future.

This measure is an emergency measure. It has a maximum duration of 10 years. It may be abrogated, abolished, earlier than that, as the provision of the bill provides. It sets up an export commission as a policy-finding board. It sets up an export corporation, to be capitalized with a callable capital of $200,000,000, as a business and operative board. It provides adequately, we believe, for the handling

of the surplus wheat crop and the surplus crop of any other like major commodity that may come within the scope of the bill. There are provisions whereby any major commodity may be brought within the scope of the bill when a condition such as now prevails in wheat exists. In other words, when the condition is such that the commodity is being produced to the extent that there is a surplus that must go on the markets of the world in competition with other countries producing under different and somewhat varied circumstances, and by going on that market reflects back onto our domestic market the world's price.

It is difficult for any industry to produce on a basis of protection at an increased cost therefor and sell on the basis of the world's market without the appreciable benefits of protection. So far as our Pacific Coast States are concerned, the Liverpool price is the price of wheat. Our institution did maintain for over a year and a half an office in Europe, with our own representative there. We have at the present time an exclusive agency in Europe. We charter our own boats, arrange our own exchange, and do everything incident to the exporting of wheat. We received cables showing the prices of the world four times a day. We are familiar with the export end as well as the domestic end.

This bill is so drawn that it permits the corporation to go into the markets of the United States and buy the commodity in question which, for the purpose of my testimony I will enumerate as wheat, at a price equal to its pre-war purchasing power or, in other words, at a price equal to its pre-war exchange value, the pre-war price to be determined through the use of an index number as developed by the Bureau of Labor Statistics, and as set forth more completely in the bill which the members of the committee will familiarize themselves with. We think purchasing at that price to the extent of the surplus will place the whole domestic market at that price. The bill would permit purchasing beyond the extent of the surplus if it was necessary to do so to bring the price result. Naturally the commodity so purchased will have to be sold where a market is available which, when we refer to the surplus, means that it will have to be sold in the markets of the world.

Purchasing at a price based on pre-war ratio and selling in the markets of the world under present conditions means a necessary loss and a considerable one. We are not asking the Government to subsidize that loss. We are only asking the Government to provide the machinery whereby the farmers themselves may spread that over their entire marketed crop, and in that way segregate his surplus from his domestic, or in that way secure a price for his domestic not affected by the price he may secure for his surplus.

For illustration, if we were to add 30 cents a bushel to the price of wheat now being exported, it would increase the price of that wheat accordingly, which is quite obvious. That increase would throw the whole domestic market higher accordingly. The loss that would be sustained could be made up by the wheat growers themselves through a levying of an equalization fund approximating 6 or 7 cents on each bushel of wheat raised and marketed. The net results would be a gain of 23 cents on each and every bushel of wheat marketed.

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The ration of domestic to export in wheat is such that the application of 1 cent to export increases the domestic 4 to 5 cents. I think each one of the committee understands that principle. It is not entirely new. It has been discussed for a considerable time, and found, I believe, by those of economic trend of mind, to be within the keeping of sound economics as applied under conditions that prevail. Sometimes you hear it spoken of as a short way of explanation, and a rather clear way, as a reversal of the tariff principle, paying on the outgoing instead of on the incoming.

I think that exemplifies a rather clear explanation of the principle which is laid down in this bill.

The CHAIRMAN. I think, Mr. Jewett, that makes it very plain, but I would like to have you explain more in detail how this bill provides for the collecting from the farmer of the deficiency or the loss on the export?

Mr. JEWETT. The bill sets up what is termed in the bill an equalization fund, meaning to equalize the losses that might be sustained on the surplus, as sold in the markets of the world, over all the commodity, and all the commodity would receive benefit from the enhanced value of the domestic markets. The equalization fund is to be collected direct from the producer at the time of marketing. The export commission, would make a calculation at a suitable time in each year as to the amount of surplus, as to the probable amount of domestic requirement, as to probable world and domestic prices and would apply that calculation as to the probable loss that would prevail. On the basis of that calculation they will lay down the levy in the way of an equalization fund. That levy will be collected at the time the commodity is marketed by the farmer. Applying it again to wheat, we will say the calculation placed the levy at 10 cents per bushel. The farmer on marketing his wheat will receive all of the price in cash excepting the 10 cents, and he will receive in Government scrip. He will be given what will be known as Government scrip for the 10 cents.

Let me illustrate it a little further. A farmer goes to an elevator in North Dakota. The elevator man says, "The price of wheat to-day is $1.60," which is about what it would be if the bill were operating——

Senator JOHNSON. Right there I want to put in a question. Now, I had a talk with a very prominent man from Minnesota to-day, and he was interested in this bill. He was not here for that purpose. He asked me if I knew the prices of wheat, for instance, between 1905 and 1914. Those are the years that you mention in your bill.

Mr. JEWETT. Senator, I have the figures in a statement which, before I leave the stand, I would like to ask the privilege of incorporating in the record. I think you will find them very beneficial.

Senator JOHNSON. That will answer my question, then. I want to know the average price, you understand, during those years.

Mr. JEWETT. Yes, sir. These figures will give you that data very completely, I think, Senator.

The CHAIRMAN. Mr. Jewett, go back to where you were when you were interrupted and continue your statement.

Mr. JEWETT. The farmer goes to his local elevator in the town in North Dakota. The elevator man tells him the price is $1.60. He will pay that farmer $1.50 in cash and he will pay him 10 cents a bushel in Government scrip, which he will have provided himself with by purchasing it at his local post office. The money, of course, used to purchase it has found its way into the hands of the export commision, whose offices would be here in Washington. The farmer has received $1.50 in cash and 10 cents in scrip. The season goes on. The operation is completed. The season's movement is cleaned up. The losses, such as they may be, in handling the surplus are ascertained. The commission then comes forward and states the redeemable price of the scrip.

For a more complete illustration, the deduction has been 10 cents. Hold that in mind. It is ascertained that the loss was only 6 cents, which means that there would be 4 cents per bushel remaining in the hands of the commission. The commission would then arrange to redeem the scrip at 4 cents per bushel, or the farmer receives 4 cents of each 10 cents that was held out in the beginning.

It seems to us—and I will say frankly that in the beginning it worried us some who were thinking out a plan—the features of this bill have worked that out in a very simple, inexpensive, and easily operated way.

Senator MCNARY. What use is made of the 10 cents you have held out, which is represented by the scrip?

Mr. JEWETT. The 10 cents goes into the fund created for the purpose of absorbing any losses that might be sustained in selling the surplus on the world markets—buying it in the domestic market at the pre-war ratio price and selling it in the world market in competition with Argentina, Australia, India, and so on.

The Senators, of course, will understand that what I say of wheat is likewise applicable to any other commodity that is in the same condition.

Senator GOODING. Now, Mr. Jewett, I wish you would explain a little more clearly how you are going to bring this up, as you say, to $1.60. You say that will be the market price under the provisions of this bill?

Mr. JEWETT. Yes.

Senator GOODING. On the world market to-day. Make that a little more clear, will you? I am not quite clear on that.

Mr. JEWETT. On the 15th day of each month, according to the provisions of this bill, the export commission will name a price at which they will purchase wheat. The fact that they will purchase at that price, in my opinion, would undoubtedly establish the whole price structure at that figure. I can see no possibility of doubt in that respect. They will buy sufficient to establish the price at that figure.

Senator GOODING. Suppose more is offered than they are able to buy?

Mr. JEWETT. The bill sets up that they shall buy on a monthly quota throughout the year. It provides, however, that they may increase their quota in any month as necessary to bring about the result; in other words, as necessary to cause the market to maintain itself at that figure. It likewise provides if the price should go beyond the ratio price, and in their judgment it was advisable, they can resell any of the commodity they have in their possession on the domestic market, but not below the ratio price. They must not offer it for sale in domestic markets below the ratio price. I think the structure is sound in that respect.

Senator GOODING. Then this is a price-fixing bill, is it not?

Mr. JEWETT. No, Senator. The price will vary each month. The price will have some leeway of fluctuation—not great, but some. It is on a ratio basis. It is a price-stabilization bill.

Senator GOODING. They actually name a price that they will pay.

Mr. JEWETT. They name a price that they will pay, yes sir; but that price is not a fixed price. It is a price based upon a calculation of——

Senator GOODING. The world's market?

Mr. JEWETT. A calculation of pre-war conditions.

Senator GOODING. Pre-war conditions and the world's market?

Mr. JEWETT. The world's market does not enter so much into that, because they propose to purchase at the pre-war purchasing power price and sell in the world's market as they find it.

The CHAIRMAN. The local elevator man buys the farmer's wheat in the illustration you were giving, where the price was $1.60, and would pay the farmer when he got it $1.50, and pay the postmaster ten cents——

Mr. JEWETT. That would be the effect of it. The wheat moving thereafter would move at the $1.60 basis. That would be the market for the wheat.

The CHAIRMAN. Would this commission handle the sales itself?

Mr. JEWETT. Not necessarily so.

The CHAIRMAN. It would be sold through the same machinery that exists now?

Mr. JEWETT. This plan does not necessarily disturb the marketing machinery as we have it at the present time.

The CHAIRMAN. The commission would have power, after making the necessary investigation, to apply this bill to any farm products they wanted to?

Mr. JEWETT. Any farm product that is being affected by the production of a surplus and a world price.

The CHAIRMAN. Yes, exactly.

Mr. JEWETT. They may bring into the scope of their operations that product.

The CHAIRMAN. Taking wheat again as an illustration of it, in order to keep the foreign wheat out of this market it would imply that we would have to have a tariff sufficiently high to do that?

Mr. JEWITT. The bill provides a method of approach to the tariff commission, and a method whereby they can set the import duties at a figure that will sustain the ratio price.

The CHAIRMAN. In other words, they would keep out foreign wheat, would they not?

Mr. JEWETT. If necessary to protect the ratio price.

The CHAIRMAN. Well, would they not have to do that?

Mr. JEWETT. Under the present conditions they would have to keep out Canadian wheat in order to protect our northern markets.

The CHAIRMAN. Well, would they not have to keep out Argentine wheat, Australian wheat, or any other wheat?

Mr. JEWETT. Of course our present tariff would do that.

The CHAIRMAN. That is what I am getting at.

Senator GOODING. Your tariff would not be high enough if your domestic market went to $1.60 a bushel.

Mr. JEWETT. I am figuring it would keep out the Argentine wheat and the Australian and Indian wheat. You are at the top of the tariff wall now on Canadian wheat.

Senator GOODING. The freight rate from Argentina to Buffalo is much cheaper than from Canadian points to Buffalo.

Mr. JEWETT. I have made no calculation on that, Senator.

The CHAIRMAN. In order to make this plan workable you have got to keep out foreign wheat?

Mr. JEWETT. Absolutely, Senator. We have got to conserve our domestic market to ourselves.

The CHAIRMAN. Exactly. Now, the point I want to make is what happens to the consumer when this is all carried out?

Mr. JEWETT. Going again to the illustration of wheat, if this bill was in operation and the pre-war ratio was applying or was the price of wheat at the present time in our domestic markets, it would increase the price of a 9-cent loaf of bread here in the city of Washington, so far as the raw material, wheat, is concerned, fifty-six one-hundredths of a cent. In other words, it would mean less than 1 cent in the increase of the wheat that entered into the cost of that loaf of bread, which is a rather immaterial item to quite a degree.

Senator JOHNSON. Mr. Jewett, here is another thing that I think will have to be reckoned with also. Suppose we raise a crop and have 150,000,000 bushels for export. By putting up a tariff wall we eliminate everything coming into this country, even South American wheat. You realize that you then have to go on the European markets with your export in competition with the world's wheat coming in there. Now, supposing they have a big crop in those countries and their surplus is thrown upon the world's market. Supposing, then, it does not work out exactly like this bill expects it to work out. Your losses will then be tremendous, because your export wheat will go down considerably. Will that be so that it could even take up the 10 cents and come back a little bit over the 10 cents that you provide in your bill?

Mr. JEWETT. Of course, your question is predicated upon a condition which has not heretofore prevailed and is highly improbable. To start with, we would pay a fair exchange price in America, and the world's price is just about as wide right now as in all fairness we could expect it to be. Of course, the lower the price received for the surplus the more of the equalization fund it uses, and the higher the expalization fund would need to be placed. Those would be matters of calculation in the beginning of the season. Incidentally, however, the ratio of benefit would be about the same, because of the world's market reached that disastrous condition that you say might exist, and the American farmer was obliged to operate as he is to-day, his disaster at home would be materially increased. He would still have an opportunity, under this bill, to protect himself against that more adverse and more unsatisfactory condition than prevails now. He could do it on the same ratio basis by his equalization fund. The equalization fund would need to be placed. Those would be matters Senator, if such conditions as you refer to prevailed, that the equalization fund would have to be 20 cents a bushel. Nevertheless, the benefits would have to be in the same ratio, above the world level, by his own equalization efforts.

Senator JOHNSON. I see. Well, we agree on that, but in mentioning $1.60 a bushel you base that on the figures you have got on the total for the period of years that I mentioned a while ago. I didn't think that it was going to go that high. I thought that it was lower than that.

Mr. JEWETT. I spoke rather approximately, Senator.

Senator JOHNSON. Yes; I understand that.

Mr. JEWETT. I may be just a little high. The figures, however, are very complete, and I hardly feel that it would be necessary for me to go through them, because they are quite a tabulation.

Senator RALSTON. Mr. Jewett, in investigating the price under this bill do you take into consideration the prices in foreign markets?

Mr. JEWETT. No, sir.

Senator RALSTON. You don't?

Mr. JEWETT. No, sir. In establishing the amount of the equalization fund that item is taken in consideration, but not in setting the pre-war purchasing power price.

The CHAIRMAN. I think you would have to, Mr. Jewett, because that foreign competition might be great or small, and yet you have to cover it all when you fix your price.

Mr. JEWETT. You cover it all when you establish your equalization fund. You make your equalization fund sufficient to absorb any loss that might be sustained on the sale of the surplus in foreign markets, the loss, of course, being the difference between what you would receive in the foreign market and what the pre-war ratio price would be at home.

Senator RALSTON. Well, now, then in considering the rate at which your equalization fund should be fixed you would necessarily have to consider the foreign market, would you not?

Mr. JEWETT. Yes, sir; and that would have some bearing on the price, of course, net to the farmer. It would have some bearing on the price net.

Senator RALSTON. What, in your judgment, if anything, can this Government do toward encouraging the wider foreign market for the farmer's surplus of wheat?

Mr. JEWETT. Well, Senator, of course that is a matter which is beyond the line of my station in life. I have not gone into the European situaion. I have never made one of those trips abroad. We do export, but I have never made one of those trips abroad. Of course the rehabilitation of the finances of Europe might be considered to create a situation whereby they would live better and eat more products of the American farm, and the better off the European market is the better it is for the American farmer. I think that is a conclusion which is absolutely accurate.

Senator RALSTON. What effect would it have upon the price of the farmer's wheat in this country if the countries to which they send their surplus should introduce a tariff between that country and this?

Mr. JEWETT. Well, I presume if that was applied distinctly and specifically to the United States the effect would not be favorable. We thought of that. It hardly seems that a country that is an importing country of a food commodity is going to raise barriers against the importing of that commodity.

Senator RALSTON. Well, we do it in this country, don't we?

Mr. JEWETT. We produce sufficient at home for our home needs. We are not an importer.

Senator RALSTON. Getting away from wheat, we do it in other respects, in many instances, do we not?

Mr. JEWETT. We have some commodities, yes, sir; that are protected.

Senator RALSTON. So we have a practical illustration of the fact that that might occur and does occur in this country, and therefore might occur in other countries as against this country. Is not that right?

Mr. JEWETT. Well, I am not sufficiently familiar with the European situations to answer to an extent that the answer would be valuable authority. Of course there are possibilities, I presume, in many directions.

There is one thing we must not overlook in going to the foreign countries, regardless of whether they are good or bad. We still must compete with other nations that live under different conditions and on different standards than we do in the United States. The Argentine farmer and the Australian farmer, and the farmer in India, for instance. The producing conditions are different from ours. That is a condition which has been well recognized in American national affairs, and it applies in the farmer's life as well as it does in the industrial man's life and the laboring man's life.

Senator JOHNSON. Mr. Jewett, you are here to give some information on this bill, and you will pardon me if I ask you a question now. In case this runs the other way, in case we have a shortage of wheat in this country and also a shortage in Canada, if we say now that the price of wheat will be $1.60 a bushel, we have had some before this committee that have told us that there may be a wheat famine, a grain shortage, in a very short time over this country, and perhaps we will have. Now, in that event, is there a leeway provided for in this McNary bill by which the commission will not have to stick to the 9 or 10 year pre-war prices but they can go up on that? There will be no necessity for having this bill then, if the prices go higher?

Mr. JEWETT. Under conditions such as you mention the commodity would be stricken out from the operations of the bill and the commission would not operate as to that commodity.

Senator JOHNSON. I see.

Mr. JEWETT. In other words, the commodity would take its own price level so long as it was not below the ratio price?

Senator JOHNSON. I understand; that is what I wanted to find out.

The CHAIRMAN. Now, Mr. Jewett, getting back to the farmer producing wheat. Suppose he takes it to a miller. Instead of taking it to the elevator he takes to the local miller, who is going to grind it up into the flour. Does the bill apply there?

Mr. JEWETT. Yes, sir. That is, unless it is what is known as toll grinding, where the farmer gets back his wheat in the form of flour for his own use. It applies to all purchases of wheat.

The CHAIRMAN. The miller would have to pay him the price of the wheat less 10 cents and pay the 10 cents to the postmaster?

Mr. JEWETT. Yes, sir.

Senator GOODING. Or pay the price fixed by the commission.

Mr. JEWETT. Pay the market price.

The CHAIRMAN. Suppose this miller would pay a higher price, as they usually do, and have to. Is there any restriction on that?

Mr. JEWETT. There is no restriction on that.

The CHAIRMAN. He can fix it as high as he pleases?

Mr. JEWETT. The price is only fixed by the fact that the commission is ready to buy in the market and that creates what might be termed a competitive condition that will cause the trade to pay a price not less than the price that the commission will pay. The price that the grain dealer in the country will pay is fixed by virtue of the ability and readiness of the commission to enter all markets and buy at a certain price.

Senator JOHNSON. Mr. Jewett, one more question. Of course the commission that is going to be established now to do these things, will, of course, regulate the difference in grades. We have over 104 different grades of wheat. We don't need to worry about that, but that commission will see that the price is established according to the grades?

Mr. JEWETT. The differential will be maintained, yes sir.

Senator JOHNSON. On the Federal standards?

Mr. JEWETT. Yes, sir.

Senator GOODING. You take No. 1 northern as standard and fix these prices at the primary markets?

Mr. JEWETT. The pre-war ratio will be made to apply to the basic grade, and the others will take their differential above or below.

Senator GOODING. Do you name those primary markets?

Mr. JEWETT. No, we don't, sir. That is left in the hands of the commission.

The CHAIRMAN. How long has this plan been under consideration? You have had it up with the Department of Agriculture for some time, and they have been working on it?

Mr. JEWETT. Yes, sir.

The CHAIRMAN. It may be interesting, and it is to me, to know that several years ago—not so many years ago—while the wheat situation was being agitated two or three years ago, a farmer by the name of Sugroue, who lives in Red Willow County, Nebr., had a conference with me in McCook, Nebr., on this question, and he outlined in not complete detail, but in a general way, this same plan, and I was impressed with it. The thing that seemed to me to be a deficiency in it is that it did not take away the middleman and his profits, and it put the entire burden at the end of the equation upon the American consumer, which I did not like; but I asked this farmer to send his plan to the Secretary of Agriculture. I wrote him a letter, and he did that, and he gave me a copy of the letter he wrote to the Secretary of Agriculture, and a copy of the reply, which I still have, in which the whole thing was condemned by the Agricultural Department. The reply was not written by Mr. Wallace. It was while we had the same Secretary of Agriculture, but it was written by the Assistant Secretary of Agriculture. It was a very nice letter, but he went into it at considerable length and in considerable detail, and condemned it. I did not give it any more consideration, because I figured it would have the opposition of the administration, and I did not like it quite as well as the other plan anyway, but it seemed to me that there was something in it then; but since it apparently had the opposition of the administration, I did not do what he wanted me to do then, which was to introduce a bill, and he gave it up, and I have had no correspondence with him since.

Senator JOHNSON. How long ago was that?

The CHAIRMAN. Well, that was two or three years ago.

Mr. JEWETT. I think this has been under discussion within the ranks of our organization, and I might say without the ranks of our organization, for about two or three years.

The CHAIRMAN. Now, we will have back of this bill the Department of Agriculture and the whole administration, will we?

Mr. JEWETT. That is my understanding, Senator. Doctor Brand was to have testified at the hours that I have consumed. He was out of town and did not get in in time. He is here now.

The CHAIRMAN. Do you know anything about the change of position on the part of the administration on that proposition?

Mr. JEWETT. The only contacts we have had with the Department of Agriculture have all been of an affirmative character, so I know nothing of any history prior to that.

The CHAIRMAN. How long since you began negotiations with the Agricultural Department?

Mr. JEWETT. The department's manifestations have been over a period of four or five months. Last July was the first contact with the department. I think a number of our farmers—I recall one in particular, a Mr. Charles Harth, of Oregon, wrote this plan up on paper and had it here in Washington about a year ago at a certain cooperative council meeting that was held here, and a good many of our people were converted to it then. Later on a Mr. Meecham, of North Dakota, prepared a similar plan.

Senator GOODING. Is it not a fact that the Government of Australia has been handling their wheat for the farmers on a plan of this kind since the war?

Mr. JEWETT. The Government of Australia in some of its subdivisions has what they term a voluntary pool. If you apply the pooling principle and you have a 100 per cent pool, that pool could do exactly what this bill proposes to do.

The CHAIRMAN. It could do it with less than 100 per cent, could it not?

Mr. JEWETT. Of course, now, there is always some question about it, Senator. I would say, however, that it could not do it with less than 75 per cent to 85 per cent. We have had ambitions that we would develop our pool to that extent.

The CHAIRMAN. That is what you have tried to do?

Mr. JEWETT. And incidentally that is what we hope we might do, to take up this situation when the emergency features of this bill may expire. But we are handicapped in the development of our pool because the obvious surplus condition is so manifest and so manifestly beyond us.

The CHAIRMAN. There would be a question, too, as to whether you would not be violating the antitrust law if you did that, would there not?

Mr. JEWETT. We have rather assumed that the amendments to the Sherman antitrust law would let us by.

The CHAIRMAN. Yes; I guess they would.

Mr. JEWETT. If we had a hundred per cent pool, or even possibly something less, we could take and sell the surplus portion in the markets of the world at the world's price, and we could take the remaining domestic portion and sell it in the markets of the United States at a fair price. The price we received for the domestic and the price we would receive for the surplus would average out into the price which our farmers would receive, which would be exactly what would happen under this bill.

The CHAIRMAN. In any case, even in the case described now, you would have to have governmental assistance to keep the foreign product out of this market?

Mr. JEWETT. We would have to have tariff protection; yes, sir.

Senator MCNARY. Let me ask you to discuss this provision of the bill:

> The capital stock of the corporation shall be $200,000,000, and all of such amount is hereby subscribed by the United States.

That is on page 15, section 221.

Mr. JEWETT. That fund is for the purpose of an operating fund; it is merely a revolving fund, callable as required. There would be times when the corporation might desire to purchase considerable wheat. They would have to have money to buy it with, and they would have that money in the wheat until such time as a sale was made. That fund, however, is not to be considered in any way as a subsidy or a fund that predicates impairment. At the conclusion of the emergency period and the cessation of the operations the fund would return to the Government.

The CHAIRMAN. That fund would be provided by the Government?

Mr. JEWETT. Yes, sir; that is a capital fund which is provided by the Government. That is what we are asking, callable only as needed.

Senator RALSTON. Does it bear any interest?

Mr. JEWETT. I don't recall that there is any provision for interest.

The CHAIRMAN. I think not.

Mr. JEWETT. I think not, sir.

The CHAIRMAN. I think it ought to be made a little clearer who is going to buy this wheat. You are going to create machinery for domestic trade; the grain exchanges, and so forth, will operate as they are operating now. You don't expect it to interfere with their operations?

Mr. JEWETT. I would not make quite so broad a statement, Senator. The corporation may enter into the market and buy wheat and do its own exporting. That, I presume, would interfere with them somewhat.

The CHAIRMAN. This corporation would expect to buy only enough wheat to cover the export part of it?

Mr. JEWETT. Enough to cover the export part, and, if necessary, to maintain its price ratio, and that is all.

The CHAIRMAN. The theory is that if it bought the export, that would do it?

Mr. JEWETT. And I think that is very sound, too.

The CHAIRMAN. I think so, too. I agree with you.

Senator RALSTON. What would be the effect of the operations under this bill if a particular elevator concern or grain pool should offer a higher price for wheat than you fixed?

The CHAIRMAN. They could have it.

Mr. JEWETT. They would just go ahead and do business and we would sit by. The commission would merely sit nonoperative so far as that period of time was concerned. It would merely sit by as an arbitrator watching the situation, and would not enter into the market until the price dropped below the pre-war ratio.

The CHAIRMAN. As I understand it, this commission does not care to buy the wheat, but is willing the millers or somebody else should buy it, but it stands ready to pay a certain price.

Mr. JEWETT. To protect the price to the farmer.

The CHAIRMAN. That means that any other buyer would have to pay that same price, and if he would pay the same price we would be glad to let him have it?

Mr. JEWETT. Exactly so, and we expect it to move through the ordinary channels, so long as the price is right.

Senator JOHNSON. The people, that are now in the grain business, have to pay out considerable sums for insurance and protection and all of that. Now, how have you got that fixed in your bill? Suppose your corporation should buy 50,000,000 bushels. Will it be necessary for them to pay bonds and insurance?

Mr. JEWETT. The expense of operating the corporation—and that would be an item of expense—is to be made up out of this equalization fund. In my opinion—it is merely a matter of estimate—the expense of operation would be a mere fraction of a cent per bushel.

The CHAIRMAN. That is, you are confining it to wheat now?

Mr. JEWETT. But the equalization fund would take care of that.

The CHAIRMAN. Referring again to the inefficiency of our present marketing conditions, if this bill became a law, would it not make it unnecessary for the millers, for instance, to hedge?

Mr. JEWETT. It would make it to a very large extent unnecessary.

The CHAIRMAN. You could eliminate a good deal of what they call hedging?

Mr. JEWETT. This stabilized price would eliminate a good deal of hedging.

The CHAIRMAN. Would it not follow in that case that the only excuse for buying and selling futures on the board of trade would be eliminated?

Mr. JEWETT. To quite a degree, sir.

The CHAIRMAN. It would eliminate some of the gambling.

Mr. JEWETT. There is some room for fluctuations in futures, but it would eliminate to a very extensive degree the opportunities for gambling, which are based on a widely fluctuating market.

The CHAIRMAN. The defense—and that is largely the reason Congress has never passed a law that eliminated it—is always made, and it seems to have a good deal of reason, that it is necessary for the millers to hedge, because they must necessarily buy, in order to keep their mills going, on a future market price, and so when they buy they go on the board of trade and sell to protect themselves. As I see it that is about the only defense they have, and about the only reason for permitting the boards of trade to carry on their speculation. It would be a great thing if that could be eliminated.

Senator McNARY. That has always been their excuse for it.

The CHAIRMAN. Yes; that is what they have always said before this committee.

Mr. JEWETT. I think they rest their entire case upon that one fact.

Senator JOHNSON. The whole thing in this bill is the personnel to run it. Would you explain to this committee who is going to be appointed, so they will not be suspicious that we are going to get a rotten deal; that we are going to have our own representatives, and the grain exchanges are not going to get the best of it in the administration of this bill?

Mr. JEWETT. The bill sets up two departments, one known as the export commission and the other as the export corporation. The export commission is the policy-finding body and the export corporation is the operating body. The commission will consist of the Secretary of Agriculture, the Secretary of the Treasury, the Secretary of Commerce, the chairman of the Tariff Commission plus a commissioner to be appointed by the President and approved by the Senate, plus the three directors that will comprise the directors of the export corporation, each of whom is to be appointed by the President and approved by the Senate. The corporation will consist of the three directors plus the Secretary of Agriculture and the Secretary of the Treasury. There are four new officers that come in in the two departments, one commissioner and three directors, all four to be appointed in the same manner that members of the Federal Reserve and Farm Loan Board and comparable boards now in existence are appointed.

Senator JOHNSON. You don't specify that a certain one element should be farmers?

Mr. JEWETT. It says that due regard must be taken in respect to their acquaintance and experience in the business they are to carry on, and it does provide a means whereby nominations will be made by the Department of Agriculture, presumptively to make sure that farmer-minded men are appointed.

The CHAIRMAN. Do you think that is any safety? The Agricultural Department is under the control of the administration, and if it was known that the administration wanted to appoint some lame duck, for instance, would not the Secretary of Agriculture suggest him?

Mr. JOHNSON. That is the reason I asked the question, because I am afraid some lame ducks will be put in so that they will get a job.

The CHAIRMAN. I am not mentioning that in any spirit of levity. It is a difficult thing to provide for in any event, the men who are to administer the law, if it becomes a law, and we have got to take that chance always.

Mr. JEWETT. I think I may answer that question by saying that the rank and file of our farmers are hopeful that the board appointed by and through the offices of our Government along the lines that boards are appointed now would be, as a general thing, a trustworthy board, capable of carrying on the functions of the corporation.

Senator JOHNSON. Yes; I agree with you on that. I asked that question because if anything is to be done here, Mr. Jewett, we want to make it as perfect as we can to begin with. I agree with you that it can not be perfect, but we do not want to pass a law here that will leave open the doors, so that its administration will be monopolized by politicians and so on, if we are going to help out the farmers at the present time. That is the reason I put that question.

Mr. JEWETT. Of course we who are raising and marketing wheat are very anxious to see a good workable bill, and after we have a bill we will be very anxious, of course, to see a good workable commission thinking in the ways that farmers think and with knowledge of farm conditions. It most certainly should be, and, in my very frank opinion, would be sympathetic to the purposes of the bill.

The CHAIRMAN. The suggestion was made by the Senator from Idaho to the effect that this is a sort of guaranteed price, and that for any given commodity to which it might be applied, in a degree at least, it would be a guaranteed price. Now, would that have the effect of increasing production of an article like wheat, that is already overproduced, and, if it did, what would be the result under this law?

Mr. JEWETT. The greater the surplus the less the net benefit from the equalization fund. The greater the surplus, the higher the equalization fund. The equalization fund would be evidence always before the farmer as to the fact that surplus production was hazardous, and the psychological effect would be to cause him to try to keep his production within bounds. The bill further provides that the commission would gather such data as available and disseminate such things as would be helpful to the farmer in regulating his acreage. Further, the bill embraces other commodities. It is not proposed to take one basic commodity and set it on a pinnacle above other basic commodities and thereby attract undue attention to it.

Senator GOODING. What other commodities would the bill apply to?

Mr. JEWETT. It affects livestock.

The CHAIRMAN. Would it affect cotton?

Mr. JEWETT. Not now, sir. Cotton now is above the ratio price and would not come under the provisions of the bill.

Senator JOHNSON. How about potatoes?

Mr. JEWETT. I am not familiar enough to say whether potatoes move in the world market to a sufficient extent to bring them in or not. I have my doubts. I think potatoes are more or less a localized commodity and that the character of the commodity is such that is not movable for any great distance.

The CHAIRMAN. The price fixed, whatever it might be—I think we might just as well stick to wheat, because that is a good illustration—would depend on the pre-war ratio?

Mr. JEWETT. On the pre-war ratio; yes, sir.

The CHAIRMAN. The pre-war ratio?

Mr. JEWETT. The pre-war purchasing power.

The CHAIRMAN. Yes; the pre-war purchasing power. If a farmer could raise wheat under those conditions and at that price, if those conditions were such that he could produce at a pretty good profit, would the tendency not be for him to expand his operations in regard to wheat and produce more wheat, and if that occurred all over the country would we not have a very heavy production of wheat?

Mr. JEWETT. Of course, the farmer would likewise know that every other commodity that his farm might be adapted to would

be on a pre-war basis, and would be an attractive thing for him to produce. He would not be unduly detracted from one commodity and unduly attracted to another under the provisions of this bill.

The CHAIRMAN. No; but would it not have a tendency in this direction, that instead of his producing these things that were not under the bill in order to be sure of a profit he would go into something that would be covered by the bill? For instance, now, if he should raise corn and wheat both on his farm, just for the sake of illustration, and corn was not under the bill and wheat was under the bill, would he not, in order to have a sure thing, produce wheat and not corn?

Mr. JEWETT. Of course, I don't want to avoid your question, but the products of corn are largely pork, and if they were as high as the ratio which would be equal to his wheat they would be just as attractive as wheat would be under the bill. If they were not as high as the ratio, they would be brought within the bill and made as high as the ratio. If they were higher than the ratio, but excluded from the bill, they would still be more attractive than wheat.

The CHAIRMAN. But the farmer might reach this decision at the time he is ready to put in his crop, and he judges from conditions as they exist then. If corn was not under the bill, although it could be put under the bill the next year, he would not know that, could not tell that in advance, and nobody could, and would he not just figure it this way:

Now, under the present conditions, as they stand, if they remain the same next year, I might raise corn and make a little money, but if I lose money I see there is no place for me to get out, so I had better raise wheat instead of corn.

Mr. JEWETT. Of course, the farmer under this bill can not avoid the effect of an undue surplus. As the surplus is increased the ratio between surplus and domestic consumption decreases, and as that ratio decreases the benefit of the equalization fund decreases, and if he runs his surplus up unduly it will decrease his net result.

The CHAIRMAN. I don't quite see. Now, I presume that is all right, still it is not quite plain to me how that operates in that way.

Mr. JEWETT. Because of the net results of his equalization fund. On the present basis it is a ratio of one to four or one to four and a half.

Senator GOODING. That is export, you mean?

Mr. JEWETT. Export against domestic; yes, sir. You bring your export up to two, for example; then 10 cents as an equalization fund would have a less effect on the price.

The CHAIRMAN. I see. The amount the local dealer would take out would increase, necessarily.

Mr. JEWETT. The amount of the equalization fund deduction would increase.

The CHAIRMAN. The amount you are going to hold out from the farmer when he sells his wheat is going to depend upon the estimated surplus. Maybe 10 cents would not be enough.

Mr. JEWETT. No; it may be more. It is going to depend upon the estimated surplus and world market condition.

The CHAIRMAN. It may be 20 cents?

Mr. JEWETT. Yes, sir; it might be possible.

The CHAIRMAN. If the farmer continues to expand and produce more wheat, the amount deducted would be likewise increased to cover it?

Mr. JEWETT. Yes, sir.

Senator GOODING. Also, if the world market fell, the amount deducted would be greater?

Mr. JEWETT. Yes, sir.

Mr. JOHNSON. You realize, Mr. Jewett, that the whole Red River Valley, and also counties close to the Twin Cities in my State, and also several counties in North Dakota in 1922 and 1923 raised potatoes, and they raised millions of bushels of potatoes there that were never dug, because it did not pay to dig them. Suppose those farmers that really did raise those postatoes made up their minds to let it go as much as possible. I know counties in my State that are not adapted to grain—that is, for wheat. They could probably raise rye, but they are potato-raising farmers, and now, of course, some of them have to raise potatoes, as we know, but hundreds of thousands of acres will probably be put to corn, and also put into wheat, and that will stimulate production and help to make, of course, a surplus. What do you say about that?

Mr. JEWETT. Well, as I say, the greater the surplus the less the net profit under this plan. The greater the surplus the greater the equalization fund deducted and the less the net credit. This plan does not permit the farmer to avoid the bad effects of an excess surplus. That is one material difference between this plan and a certain fixed-price plan.

Senator JOHNSON. What you mean is that this is not exactly a certain fixed price, but it has a tendency to keep the price up?

Mr. JEWETT. It will do so; yes, sir. It is not fixed in the sense of the term as we think of a fixed price, but as the ratio of surplus goes up or down the net changes. It changes the net results.

Senator GOODING. I don't blame you for avoiding our fixed-price methods. There seems to be so much prejudice against it. After all, you think we have got to face it as a fixed price based on the purchasing power per bushel of wheat?

Mr. JEWETT. It is fixed on a ratio basis.

Senator GOODING. Yes; and it may fluctuate.

Mr. JEWETT. I think that is entirely sound, Senator.

Senator GOODING. Yes; I think so; and I don't object to it at all.

The CHAIRMAN. It seems to me the only unsound thing is that after all, no matter what this applies to, the man who pays the whole thing in the end is the American consumer. I think it would help some even in distribution, because it would eliminate some of the gambling features, which, it seems to me, would be a pretty good thing; but, after all, since you leave the expensive machinery that still exists, you still have the middleman, who is a part of this machinery that we have now, who will make the same profits.

Mr. JEWETT. You would take the gambling feature out very extensively.

The CHAIRMAN. I think that is very true.

Mr. JEWETT. When you take that out of wheat, Senator, you take out an awful lot of the present objectionable features.

Senator GOODING. What becomes of the board of trade? Have you figured out what happens to the board of trade?

Senator McNARY. He went into that a while ago.

Mr. JEWETT. I feel that they would be pretty well minimized in their operations.

The CHAIRMAN. If there was a big overproduction under this bill, whatever loss there is on it the farmer has got to stand.

Mr. JEWETT. He still has to suffer that.

The CHAIRMAN. He has to suffer that loss, and when he decided whether he would put in a certain crop he would always be facing the fact that if there was an overproduction it would come out of his own pocket in the end.

Mr. JEWETT. And the amount of it would be very obvious in the development of the equalization fund.

Senator GOODING. Don't you think, Mr. Jewett, that the drive to grow more wheat during the war practically developed about the maximum production of wheat in this country?

Mr. JEWETT. I think, Senator, it did; very distinctly so. I feel this way about the question of production: I don't believe we are going to vary very much from 750,000,000 to around 850,000,000 bushels.

Senator GOODING. I think that is safe.

Mr. JEWETT. I don't believe we can develop our diversified farming to vary that very much, and I don't believe it is going to develop into overproduction very much.

Senator GOODING. I think we have exhausted practically all of our cultivatable public areas. I think I can say in my State that there is not any left in Idaho that anyone could make a living on, of what you might call land that is possible to cultivate and make anything more than a living off of. All of it has been taken some time ago, and I think that is pretty nearly true of all the western States. So that I think we are in an entirely different position than Canada. Their possibilities are something large.

The CHAIRMAN. I want to revert to the organization of which you are manager. You gave the membership. What is the cost of joining your organization? What does the farmer pay?

Mr. JEWETT. The American Wheat Growers Associated, which is the specific organization that I am general manager for, is the central selling agency for nine State associations. Each State association is formed on the so-called California plan. A man pays $10 as a membership fee, signs a five-year contract in which he agrees to deliver his commodity to the State association for that period and take therefor the average prices developed by the operations of the State association.

The CHAIRMAN. Has your association been successful to a modest extent, at any rate, in the price you have received?

Mr. JEWETT. We have been successful in the economies and efficiency of our operation. Our volume has not been sufficient to make us a satisfactory price factor.

The CHAIRMAN. Do you have members on the board of trade and grain exchanges?

Mr. JEWETT. We are a member of the Minneapolis and Duluth Exchanges. We handle our wheat through those exchanges.

The CHAIRMAN. Your organization deals with the agencies that are established?

Mr. JEWETT. We use the cash operations only. We do no business and have no dealings in the pit. We do not have anything to do with speculation or future trading.

The CHAIRMAN. Do you deal only with your own members?

Mr. JEWETT. We deal only with our own members.

The CHAIRMAN. Do you have a system of rebating back to the farmers anything?

Mr. JEWETT. No. There is no established price for the products. We pay them 75 per cent at delivery of its then current value, and we pay them the balance, whatever it may be, on the basis of the average price, at the close of the season. We hold out 25 per cent until the seasons' work is closed.

The CHAIRMAN. You pay 75 per cent of the market price in cash?

Mr. JEWETT. In cash at the date of delivery.

The CHAIRMAN. And then at the end of the season you have just one pool?

Mr. JEWETT. In some of our States we have what we call a short spring pool, but, so to speak, we have just one pool.

The CHAIRMAN. At the end of the season the expenses are figured up?

Mr. JEWETT. The net price is figured up.

The CHAIRMAN. And then you rebate back through your organization to the original producer?

Mr. JEWETT. It is not exactly a rebate. It may be termed that, but we pay the balance then due the grower.

The CHAIRMAN. I only used the term "rebate" in order to have some expression to convey the idea.

Mr. JEWETT. There is no price set on his commodity when he delivers to the association. We only use the current price as an estimate for the purpose of making an advance.

The CHAIRMAN. Has your association given any study to the freight rate question?

Mr. JEWETT. Yes, we have thought of it a good deal.

The CHAIRMAN. Have you reached any conclusion in regard to it?

Mr. JEWETT. We have not reached what might be termed a sound conclusion, because we have not got the data. What we would term a sound conclusion would be a rate that would bring a fair return to the railroads based on the actual valuation of their properties. Whether the rates now provide that or not we do not know in the sense of actual figures.

The CHAIRMAN. And I guess nobody does.

Mr. JEWETT. We generally assume, however, that freight rates on farm commodities are excessive, and they are burdensome. However, the most liberal reductions that might be visualized would not in any sense cure the ills of the wheat grower. It may be 3, 4, 5, or 6 cents a bushel.

The CHAIRMAN. That is true, that every concrete thing in itself might not be a remedy, but many things put together might be.

Mr. JEWETT. Would be helpful?

The CHAIRMAN. Would make a very material difference. That certainly is one element involved in the problem——

Mr. JEWETT. Of course our wheat growers are very definitely favorable to a reduced freight rate, but, as I said in the beginning,

they are obliged to draw their conclusions without scientific data to base such conclusions on, and I think they want to be fair to the railroads.

The CHAIRMAN. Can you tell the committee anything about the freight rate from Idaho points west to the Pacific coast, to Seattle and Tacoma, as compared with Canadian freight rates from corresponding points to their ports?

Mr. JEWETT. I have not checked that up, Senator. I have checked up the freight rates from Canadian points east as compared with Minneapolis. I gathered some data together for hearings before the Tariff Commission with respect to freight rates on the Canadian side comparable to our rates on our side moving wheat out of Minneapolis territory, but we did not get it on the Pacific coast.

The CHAIRMAN. That is moving eastward?

Mr. JEWETT. That is moving eastward, yes sir; moving to Port Arthur.

The CHAIRMAN. The committee already has that, but we have not any comparative figures on commodities to the west.

Mr. JEWETT. Of course there has not been any great amount of Canadian wheat moved west. It started in the last two years.

The CHAIRMAN. I understand last year it made a very big jump.

Mr. JEWETT. Yes, it made a very big jump last year, but even at that it is not a big percentage.

The CHAIRMAN. I judge so. I don't know what the facts may be, but if this jump that was made is an indication of what is coming, it will become a very material factor.

Mr. JEWETT. It is becoming a strong and material factor in our oriental trade. We sell a large amount of wheat to Japanese points, and we export some in our own bottoms to those points, and we found in the last two years that the Canadian wheat is a competitive factor there.

Senator GOODING. What is the rate on wheat to oriental points?

Mr. JEWETT. It is about $6 a ton, the average rate. I have not got that offhand per bushel. It can be calculated. Six dollars a ton was the average. I know that.

Senator JOHNSON. Mr. Jewett, here is a thing I would like to get, and I thought I would put this question. You realize that the prices that the commission men charge for their service, between the farmer and the miller, for instance, is pretty low, isn't it? That is not very unreasonable at the present time?

Mr. JEWETT. No; a cent and a half does not seem to be unreasonable, Senator.

Senator JOHNSON. So you agree with me on that; but what we farmers have been kicking on—and I wonder if you will agree with me—is the price that the miller charges for grinding the flour and then when the flour goes into bread and the consumer buys it, the last one, that is where the big steal is.

Mr. JEWETT. There is rather a wide spread in there somewhere. It is in the manufactured commodity, apparently.

Senator JOHNSON. Of course, your bill or Senator McNary's bill will not in any way prohibit that?

Mr. JEWETT. That spread is not a factor that enters into the price of the commodity that goes into the mill. It is something that takes

place in manufacturing channels and retailing channels way beyond the farmer. So far as the grain trade is concerned, I think it is fair to say that it takes place beyond the grain trade proper. Of course, no marketing bill touches that.

Senator JOHNSON. I guess we agree on that.

Mr. JEWETT. Before I close I would like to offer this document.

The CHAIRMAN. Just make a brief statement explaining what it is.

Mr. JEWETT. These are figures compiled by the Bureau of Agricultural Economics, showing the pre-war price and showing what the price was for the period of 1921, 1922, and 1923, and what it would have been if this bill had been in operation.

(The statement referred to is here printed in full, as follows:)

JANUARY 11, 1924.

The attached tables as prepared by the Bureau of Agricultural Economics, Washington, D. C., show the benefits that would have been secured by the American wheat farmer in 1921, 1922, and 1923 if the legislation proposed by the American Wheat Growers' Associated, creating an export commission and corporation, had been in effect.

Column No. 1 shows the month.

Column No. 2 the index number for the month.

Column No. 3 average price, 1905–1914.

Column No. 4 prices that would have prevailed if commission and corporation had been operative.

Column No. 5 actual prices that did prevail.

The benefits to be secured in all markets are quite apparent.

Yours very truly,

GEO. J. JEWETT,
General Manager.

WHEAT, SPRING, MINNEAPOLIS.

(1)	(2) General index, 1905–1914 basis.			(3)	(4) Calculated price, 1905–1914 basis.			(5) Actual price, No. 1 dark northern.[1]		
Month.	1921	1922	1923	Money price No. 1 northern, 1905–1914, weighted average.[1]	1921	1922	1923	1921	1922	1923
January	$181.6	$147.4	$166.7	$0.998	$1.81	$1.47	$1.66	$1.81	$1.39	$1.28
February	170.9	150.6	167.7	.997	1.70	1.50	1.67	1.74	1.58	1.31
March	165.6	151.7	169.9	.988	1.64	1.50	1.68	1.72	1.50	1.29
April	158.1	152.8	169.9	.988	1.56	1.51	1.68	1.57	1.66	1.34
May	154.9	158.1	166.7	1.042	1.61	1.65	1.74	1.67	1.71	1.32
June	151.7	160.3	163.5	1.040	1.58	1.67	1.70	1.74	1.53	1.22
July	150.6	165.6	161.3	1.044	1.57	1.73	1.68	1.81	1.57	1.18
August	151.7	165.6	160.3	1.005	1.52	1.66	1.61	1.57	1.22	1.22
September	150.6	163.5	164.5	.976	1.47	1.60	1.61	1.56	1.20	1.25
October	151.7	164.5	163.5	.985	1.49	1.62	1.61	1.37	1.21	1.26
November	150.6	166.7	162.4	.974	1.47	1.62	1.58	1.30	1.28	1.19
December	149.6	166.7	.....	.987	1.48	1.65	.....	1.33	1.31	.....
Year	157.1	159.2	.....	1.002	1.57	1.60	.....	1.60	1.43	.....

[1] Compiled by Bureau of Agricultural Economics.

WHEAT.

(1) Month.	(2) General index, 1905–1914 basis.			(3) Money price of wheat, Chicago, 1905–1914.[1]	(4) Calculated price of wheat, 1905–1914 basis.			(5) Actual price of wheat, Chicago.[1]		
	1921	1922	1923		1921	1922	1923	1921	1922	1923
January	181.6	147.4	166.7	$1.003	$1.821	$1.478	$1.672	$1.911	$1.240	$1.228
February	170.9	150.6	167.7	1.004	1.716	1.512	1.684	1.804	1.391	1.302
March	165.6	151.7	169.9	1.001	1.658	1.519	1.701	1.665	1.354	1.268
April	158.1	152.8	169.9	1.014	1.603	1.549	1.723	1.424	1.388	1.286
May	154.9	158.1	166.7	1.049	1.625	1.658	1.749	1.584	1.401	1.245
June	151.7	160.3	163.5	1.028	1.559	1.648	1.681	1.485	1.204	1.147
July	150.6	165.6	161.3	.990	1.491	1.639	1.597	1.300	1.222	1.014
August	151.7	165.6	160.3	.970	1.471	1.606	1.555	1.266	1.118	1.044
September	150.6	163.5	164.5	.978	1.473	1.599	1.609	1.321	1.100	1.102
October	151.7	164.5	163.5	.988	1.499	1.625	1.615	1.246	1.178	1.147
November	150.6	166.7	162.4	.976	1.470	1.627	1.585	1.201	1.251	1.076
December	149.6	166.7	.....	.994	1.487	1.657	.....	1.216	1.300	.....
Year	157.1	159.2	.....	1.001	1.573	1.594	.....	1.450	1.262	.....

[1] Average of No. 2 red winter and No. 1 northern spring wheat.

WHEAT: NO. 2 HARD WINTER, KANSAS CITY.

(1) Month.	(2) General index, 1905–1914 basis.			(3) Money price, weighted average, 1905–1914.[1]	(4) Calculated price, 1905–1914 basis.			(5) Actual price, weighted average.[1]		
	1921	1922	1923		1921	1922	1923	1921	1922	1923
January	181.6	147.4	166.7	$0.948	$1.72	$1.40	$1.58	$1.72	$1.13	$1.14
February	170.9	150.6	167.7	.940	1.61	1.42	1.58	1.62	1.29	1.15
March	165.6	151.7	169.9	.941	1.56	1.43	1.60	1.55	1.34	1.16
April	158.1	152.8	169.9	.952	1.51	1.45	1.62	1.33	1.35	1.20
May	154.9	158.1	166.7	.994	1.54	1.57	1.66	1.47	1.34	1.16
June	151.7	160.3	163.5	.981	1.49	1.57	1.60	1.38	1.17	1.04
July	150.6	165.6	161.3	.896	1.35	1.48	1.45	1.14	1.13	.96
August	151.7	165.6	160.3	.887	1.35	1.47	1.42	1.15	1.04	1.01
September	150.6	163.5	164.5	.910	1.37	1.49	1.50	1.22	1.04	1.09
October	151.7	164.5	163.5	.927	1.41	1.52	1.52	1.10	1.13	1.12
November	150.6	166.7	162.4	.917	1.38	1.53	1.49	1.10	1.17	1.09
December	149.6	166.7	.....	.935	1.40	1.56	.....	1.09	1.17	.....
Year	157.1	159.2	.....	.936	1.47	1.49	.....	1.32	1.19	.....

[1] Compiled by Bureau of Agricultural Economics.

WHEAT: NO. 2 RED WINTER, CHICAGO.

(1) Month.	(2) General index, 1905–1914 basis.			(3) Money price, weighted average, 1905–1914.[1]	(4) Calculated price, 1905–1914 basis.			(5) Actual price, weighted average.[1]		
	1921	1922	1923		1921	1922	1923	1921	1922	1923
January	181.6	147.4	166.7	$1.017	$1.85	$1.50	$1.70	$1.94	$1.21	$1.30
February	170.9	150.6	167.7	.983	1.68	1.48	1.65	1.85	1.34	1.35
March	165.6	151.7	169.9	.995	1.65	1.51	1.69	1.65	1.38	1.31
April	158.1	152.8	169.9	1.008	1.59	1.54	1.71	1.41	1.40	1.32
May	154.9	158.1	166.7	1.050	1.63	1.66	1.75	1.67	1.34	1.28
June	151.7	160.3	163.5	1.021	1.55	1.64	1.67	1.47	1.18	1.16
July	150.6	165.6	161.3	.929	1.40	1.54	1.50	1.24	1.14	1.00
August	151.7	165.6	160.3	.920	1.40	1.52	1.47	1.22	1.07	1.00
September	150.6	163.5	164.5	.960	1.45	1.57	1.58	1.29	1.06	1.05
October	151.7	164.5	163.5	.990	1.50	1.63	1.62	1.18	1.18	1.11
November	150.6	166.7	162.4	.974	1.47	1.62	1.58	1.23	1.27	1.06
December	149.6	166.7	.....	.992	1.48	1.65	.....	1.18	1.33	.....
Year	157.1	159.2	.....	.987	1.55	1.57	.....	1.44	1.24	.....

[1] Compiled by Bureau of Agricultural Economics.

Senator McNary. Mr. Chairman, I have here a pamphlet issued by the American Wheat Growers Associated, discussing the general principles involved in the bill, which I think would be interesting to have in the record.

The Chairman. All right.

(The pamphlet referred to is here printed in full, as follows:)

AN EXPLANATION OF THE PLAN TO CREATE A UNITED STATES AGRICULTURAL EXPORT COMMISSION TO SUPERVISE THE MARKETING OF SURPLUS WHEAT OR OTHER FARM COMMODITIES BY AMERICAN WHEAT GROWERS ASSOCIATED.

N.B

WHAT'S WRONG WITH WHEAT?

1. The United States produces annually about 800,000,000 bushels of wheat, of which approximately 170,000,000 bushels is in excess of domestic requirements and is exported to foreign countries.

2. In the interest of simple safety it is necessary for the country to continue to plant a normal acreage which, under average conditions, produces a surplus above domestic requirements.

3. Depressed world conditions, curtailed foreign buying power, low standards of living abroad, and low cost of foreign labor for the last four years and at present have held the world's wheat price at a point below cost of production in the United States.

4. The available world's market price for our export wheat, about 170,000,000 bushels, establishes the minimum basic price for which our 600,000,000 bushels consumed at home are sold. While at times the normal spread between Liverpool prices and prices paid to American farmers closes up, only once in 30 years has it broadened to any great extent. So, it is safe to say that under present marketing conditions any considerable increase in the price received for the exportable surplus will result in a comparable increase in domestic prices.

In order to make wheat production profitable, then, it is necessary to bolster the price of the United States export wheat to such an extent that the domestic prices will bring a satisfactory return to the producer.

With this in view, several plans have been proposed. Some of them would have been impotent if put in effect. Others, probably capable of producing some beneficial results, were discarded because they contained features not considered desirable by many people. This pamphlet describes a method for stabilizing wheat prices on a proper basis without any tax on the United States Treasury, and by a method which will not disturb cooperative marketing and need not disturb the present marketing machinery of the country.

TO STABILIZE WHEAT PRICES.

1. Establish a Federal agency which will determine what prices of wheat should be to give wheat a fair exchange value with other commodities. In other words, to determine how much money the farmer should receive for wheat to-day to equal in purchasing power the money he received during pre-war years.

2. This agency to collect or cause to be collected an excise tax on all marketed wheat produced in this country.

3. Funds received from this tax to be applied as a premium to all wheat sold for export.

Inasmuch as the export portion of the American crop is only about one-fourth of the total marketed portion, every cent per bushel collected as an excise tax would be applied at the rate of 4 cents per bushel as a premium or bounty on the exported portion.

As an illustration of how this plan will work, assume it has been found necessary, to establish pre-war purchasing power, to raise wheat prices generally 20 to 25 cents a bushel. A tax of 7 cents a bushel would be assessed against all marketed wheat. The fund thus created would enable the payment of a premium of approximately 30 cents a bushel on that portion of the crop sold for export, thereby raising the export price and resulting in a like raise in the domestic price for all wheat. Result, wheat farmers have paid a tax of 7 cents a bushel and have received a price increased by 30 cents a bushel, securing a net benefit of 23 cents a bushel.

Apply the proposition to an individual farmer with 1,000 bushels of wheat He would receive 30 cents per bushel more with this plan in operation than

without it. He would pay as a tax 7 cents per bushel. The net result would be a gain of 23 cents per bushel or $230 on each 1,000 bushels sold.

The world's price would be, as now, the ruling price. But the world's price for United States wheat would be the Liverpool price plus 30 cents per bushel.

The net result is the same as if the Liverpool price for United States wheat had increased 23 cents a bushel.

PROPOSED WHEAT LEGISLATION.

Proposed legislation to carry this plan into effect has been prepared for consideration by Congress.

The agricultural export commission, as contemplated in the bill, will be in charge of general administration of the export service. It is to determine as nearly as possible the amount of each crop, the amount to be exported, and fix the necessary tax and premium to raise the price of wheat until that commodity regains its pre-war purchasing power. The commission is to be afforded every assistance by other Government agencies in determining amount of each crop and amount to be exported, also to make use of cost of living surveys from the Bureau of Labor Statistics and figures from the Department of Agriculture in determining the relative value of wheat.

The actual business details of operation are to be vested in the agricultural export corporation. It is proposed to furnish the corporation a capital stock, from the United States Treasury, of $200,000,000, callable only as required and only to be used to whatever extent necessary as a revolving fund in operations pending the collection of the tax each year.

The corporation may either operate through existing grain trade agencies and cooperative marketing organizations, or if necessary it may go into market direct and buy and sell any part of the export surplus. The corporation is to exist only during the present depression—for the period of the present emergency—and at all events for not more than 10 years.

HOW THE PLAN WOULD WORK.

After the general amount of the tax and premium has been determined by the export commission, Government script would be placed on sale at post offices or elsewhere throughout the country. The wheat buyer buying direct from the producer would purchase this script at, say, 15 cents a bushel. Then when he purchased wheat from farmers at, for example, $1.50 a bushel, he would pay $1.35 in cash and 15 cents in script for each bushel. He would make his own sales to exporters, mills, and otherwise in accordance with the $1.50 price of the wheat.

The 15 cents a bushel paid by the dealers for script would go directly to the export corporation and would be used in whatever part became necessary as a premium on export sales to keep the domestic prices at the proper level throughout the year. Then at the close of the marketing season if it were found that only 7 cents a bushel had been used in this way, the remainder, or 8 cents a bushel would be paid by the Government at the close of the season to the farmers holding the script.

There is provision for the export commission and export corporation to take in charge the marketing of the surplus of any other agricultural commodity in addition to wheat which is similarly dependent upon international prices, in case the domestic price of that commodity falls below a pre-war purchasing power basis. This would make the Federal export establishment an insurance of fair prices for such products as livestock, cotton, etc., as well as wheat.

The proposed legislation provides machinery for the maintenance of tariff duties on wheat or other affected products at a point high enough to cover the elevation of the domestic prices to normal or pre-war relationship with other commodity prices.

The premium, under the proposed legislation would be applied on an equitable basis to exported flour.

SOME QUESTIONS ANSWERED.

Is this Government price fixing?

Not in any respect. It is merely a reverse application of the tariff principle, making that principle apply to what the farmer has to sell as well as to what he must buy. His export business would be handled exactly as is that

of the organized manufacturing interest which disposes of its surplus production on export markets at prices below those obtaining in this country in order to maintain production and protect domestic markets from a surplus.

Is this class legislation?

It is not, but rather a method to remove the stigma of class legislation from the present tariff structure. It makes the tariff apply to all classes of American products instead of eliminating the agriculturists—a very large group.

Is this Government entry into business?

Not in any sense of the word. This proposed legislation contemplates merely an establishment to assist the farmer in collecting an excise tax on the total marketed wheat and applying it as a premium upon the exported portion. Financially the whole thing will be done by the farmers themselves. The only place in which the Government enters is in the provision of machinery to do the work, the cost being borne by the wheat growers.

Is this a Government subsidy?

Not at all. The money appropriated for use by the commission is merely a revolving fund to be returned intact when the emergency has passed and the operations of the export body cease. Financially the farmer stands on his own feet throughout.

Will this plan injure cooperative marketing associations?

It will assist the operation of cooperative marketing associations. These organizations have made wonderful progress, but have been unable to sign up sufficient memberships as yet to control a percentage of the national wheat production sufficient in volume to protect domestic markets from the depressed conditions of world markets. This proposed plan will adequately dispose of the problem of the national surplus. It will leave to the cooperative marketing associations the problem of controlling orderly distribution of the domestic consumption.

Will it increase production?

It will not increase production because the tax will be an ever-present argument to all farmers of the evil of growing an excessive surplus. And it is obvious that the greater the exportable surplus, the higher the tax and the less the net result.

How will the plan affect high-grade spring wheats?

It will maintain proper premiums, in relation to actual milling values, between the different kinds of wheat. Premium wheat will benefit equally with all other varieties. The effect will be a flat increase in basic domestic prices corresponding to the amount added to the export price. The various differentials in wheat values will, of course, be maintained.

Is this plan economically sound?

"Economic soundness" is an empirical term, determined by relative conditions. This plan is nothing more nor less than united action on the part of the producers of a certain commodity, assisted by Government action, to protect themselves from foreign competition. In other words, the tariff principle. If that principle, recognized by the Government for many years, is sound, then so is this plan. If steel bars may be, with economic stability, manufactured for sale in this country at a price above world prices under tariff protection and any surplus sold to foreign markets at lower prices, then so may wheat be grown and sold.

How will the relative pre-war purchasing value of wheat be determined?

By use of index numbers provided by the Bureau of Labor Statistics showing the relative value of all commodities at the present time as compared with pre-war values. In connection with these figures the price of wheat during the years 1905 to 1914 will be taken as determining its pre-war purchasing power. Formulas for arriving at the necessary index figures are included in the bill.

What will be the result to the American consumer in increased prices of bread?

The following chart is based upon bread prices in Washington, D. C., during September, 1923. The first column shows the price of bread with wheat at its present sales price to the farmer. The second shows what bread would cost with the price paid to the farmer increased to a fair exchange value as contemplated by the plan. It will be noted that the increase amounts to only slightly more than one-half cent on each loaf, the increase being from 9 cents to 9.56 cents per loaf. And this slight increase might well be taken care of in

the margins now going to the bakers and retailers, particularly as a return of prosperity to the wheat grower would result in increased prosperity elsewhere throughout the country and correspondingly increased consumption.

THE NECESSITY FOR GOVERNMENT ACTION.

Secretary of Agriculture Henry C. Wallace on December 7, 1923, made a report to the President on the wheat situation in which conditions were frankly discussed. The following excerpts are pertinent, and show the necessity for prompt Federal action to improve the present situation of wheat producers:

"A suit of clothes which cost the farmer in North Dakota 21 bushels of wheat in July, 1913, cost him 31 bushels in 1923, and a wagon which then cost him 103 bushels would now cost him 166 bushels."

"With the November farm price of wheat only 107 per cent of the pre-war average price, the wholesale price of all commodities which is generally taken as a measure of the price level was 153 per cent in October. On the basis of this price level the average farm price of wheat should have been about $1.35 per bushel for November to give wheat pre-war purchasing power at wholesale prices."

"The low price and purchasing power of wheat directly affects the income of about 2,000,000 farmers. In large areas of North Dakota, South Dakota, Kansas, Nebraska, Montana, Idaho, and Washington farmers depend almost entirely upon wheat for their cash income."

"As a direct source of cash income the wheat crop of the United States is more important than the corn crop, a large part of which is fed to livestock. In five years ending with 1922 farmers sold on the average 711,000,000 bushels of wheat and 544,000,000 bushels of corn. Moreover, a large part of the corn sold is from one farmer to another for livestock feed. Many wheat farmers produce other commodities than wheat, but the prices of many of these, such as oats, barley, and rye, are below pre-war prices. The specialized wheat farmer, as a rule, does not produce, or produces only for home use, the commodities such as corn, butter, eggs, cotton, and wool, which are now selling at relatively high prices."

"The low price and purchasing power of wheat is far-reaching in its effects, for not only the wheat farmer but practically all classes of business men whose income depends to any extent upon the prosperity of the wheat farmer are adversely affected."

"Inasmuch as the first step looking toward increasing the domestic price requires the disposition of the surplus over and above domestic needs, and inasmuch as the facts presented in the foregoing pages indicate that the world production of wheat will probably be overlarge for another year or so, the suggestion that the Government set up an export corporation to aid in the disposition of this surplus is worthy of the most careful consideration. Such a corporation necessarily would need rather broad powers. It would not be necessary that it should undertake to handle the entire crop, and it could probably carry on its activities in cooperation with existing private agencies. If it should be found necessary to arrange for the sale of the surplus exported at a price much lower than the domestic price, the loss so incurred would properly be distributed over the entire crop. The prime duty of such an export corporation would be to restore, so far as possible, the pre-war ratio between wheat and other farm products of which we export a surplus and other commodities. Its activities would therefore expand or contract according as the relative prices for farm products varied with other commodities, and it would cease to function as pre-war ratios become fairly well restored."

(The committee then adjourned to 10 o'clock a. m., Monday, January 21, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

TUESDAY, JANUARY 22, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Ladd, Norbeck, McKinley, Heflin, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order. The first witness this morning is Mr. Egbert.

STATEMENT OF MR. HUBERT EGBERT, FARMERS' EDUCATIONAL AND COOPERATIVE UNION OF AMERICA, THE DALLES, OREG.

Mr. EGBERT. Mr. Chairman and gentlemen, my name is Hubert Egbert. My home is at Laidlaw, Oreg. I am a farmer and operate and live on a farm about 20 miles east of Laidlaw, Oreg., on the Deschutes River. My present position is State president of the Farmers' Cooperative Union of America for the district of Oregon and southern Idaho. I am also president and manager of the Farmers' Cooperative Grain Elevator Co., and was sent here by the farmers of my district not to dictate or even to suggest to this honorable body, but in the hope that I might gain some general information to assist me in the work I am endeavoring to do. However, we feel that if it is in your good judgment possible for you to assist us financially, due to present conditions, it would be very much appreciated by us, and the country is financially embarrassed, due to the conditions brought about by readjustment. Other industries have been able to readjust themselves apparently. They are operating on a prosperous basis because they have been able to control the market price of their produce. The farmer, unfortunately, has not been able to do this, and in consequence we are operating now at a loss. We do not feel that it is further credit that we need, because the farmers are discouraged about going on and throwing good money after bad money in an unprofitable market, and what we need now is something that is going to help us at this time to readjust ourselves.

We have heard considerable talk about diversification, and my experience has been—and I have been farming in Oregon for probably 30 years, having been in the State for 45 years—my experience has been that our climatic conditions are such and the nature of our country is such that any further diversification than it is doing

would not be practicable. We have experimented, we have tried, and there are only certain crops that we can raise. It is a semiarid country. We have to pursue the summer-fallow system. We have to conserve the moisture of two years' rainfall to produce one year's crop successfully. Our crops have been good and the quality has been good. There is no complaint as to that.

Senator GOODING. How big a section of the country does that cover?

Mr. EGBERT. My district is the State of Oregon and southern Idaho—the organization which I represent.

Senator GOODING. Are you familiar with the condition of the farmers up around Walla Walla?

Mr. EGBERT. No, sir. That is not in my district. I am not familiar with it.

Senator GOODING. What I wanted to bring out is that a large portion of that country in the Northwest is similar to your country, and they have to summer fallow and conserve their moisture, and rotation of crops there is not practical, just as it is not in your district.

Mr. EGBERT. Yes, sir; that is true.

Senator GOODING. It is what you might call essentially a wheat country, and if they can not grow wheat it means practically the abandonment of that whole country. That is correct, is it not?

Mr. EGBERT. It is. That is true of practically the majority of Oregon. Oregon is a State of magnificent distances, and the majority of Oregon is similar to the majority of Washington. There is a big strip of country that extends through the two States. Of course, there are favored local communities, but they are really small compared with the State, where it is possible to diversify to some extent, but in those places they do now diversify. Where it is possible, they have dairy herds; and I think that the dairy industry and the fruit industry is probably pretty well developed in that country now, and probably about as much of either as there is any local demand for. But in our part of the country, in eastern Oregon—and in eastern Washington, so far as I am famaliar with it—because we have two dry seasons—the summer season and the winter season—it is impossible to keep their cows up to their standard of production in those seasons and we are, generally, a considerable distance from our market.

The farmers of our district are in a desperate mood, of course, as you will understand, and we are pretty nearly in a position of grasping at any straw as an emergency consideration until such time as readjustment will take care of the country, and that has prompted us to consider the most popular, more just, and most equitable plan that has from time to time been submitted for our consideration. To the limit of our understanding we have studied various measures, and while we do not think that any one measure will prove a cure for all of our ills, still there are provisions that have been suggested which we feel would be a step in the right direction, and from my limited understanding of the proposed McNary bill it seems to be the most popular bill that has been called to our attention up to this time; and since we have been advised many times that it is very essential that we should be united on some one bill and get together

on something, we farmers of my district have concluded to get together and indorse the so-called McNay or Haugen bill in the hope that it will afford us considerable benefit. It is an emergency bill, of course, and it has been very ably presented before this body by the preceding speakers, so it is not my purpose to go into the bill extensively, but I do not know exactly what the gentlemen here would like to have me bring out. Of course, I could go into detail as to the embarrassing financial condition that now confronts the farmers, but I presume that you have heard so much of that that you are probably as well informed as I am.

The CHAIRMAN. I think it is true that this emergency bill that you speak of, known here as the Norbeck bill, would not have any application to your section because, as you say, you are diversifying as much as you can.

Mr. EGBERT. Yes, sir.

The CHAIRMAN. That is the principal object of that bill.

Mr. EGBERT. I don't think it is possible to diversify to any greater extent.

The CHAIRMAN. Have you analyzed any other bill besides the McNary bill.

Mr. EGBERT. To a certain extent. I will say that we have not been able to receive copies of other bills, but from the interpretation that we have received of them, and explanation——

The CHAIRMAN. Where do you get the interpreation or explanation?

Mr. EGBERT. Principally through the publicity given the bills in the newspapers.

The CHAIRMAN. This McNary bill is advocated by this wheat organization of which Mr. Jewett is the head, and did you get your information through his organization in regard to that?

Mr. EGBERT. Yes, sir. In fact, I think it has been presented to us by members of our organization and Mr. Harrow, who has been working on the bill.

The CHAIRMAN. That is the only bill they advocated, is it not? Did they speak of any other bills?

Mr. EGBERT. Yes; I think that has been the chief bill they have advocated, although they have probably considered all of them. In fact, I think they have commented to some extent on other bills, but the McNary bill apparently appealed to them as the bill of greatest scope, greatest possibilities.

In your question as to diversification, even though there was a possibility that they might diversify to a greater extent, it would necessarily require considerable preparation, and it would curtail our production at a time when we can ill afford to take a curtailment.

The situation is just this. Bankers, men who are conducting country banks, and local representatives of the Federal Reserve banks, have told me that farm paper is only worth now about 60 cents on the dollar, and that the majority of farm notes are overdue, and it would be a calamity to have to call those notes now, because the farmers could not pay the interest, let alone the principal, and the banks are not able to carry the remainder of the loans, and we have our machinery and equipment for the line of farming that we are engaged in, and we are not buying any more new equipment

than necessary, because we are not able to, and any extensive diversification would require new equipment, and even then our experience has shown us in the past that it does not justify trying. I have tried raising cattle, hogs, and sheep, and many of my neighbors have tried raising fruit, but, as you know, a fruit grower is——

The CHAIRMAN. That is not because he does not produce the fruit, is it?

Mr. EGBERT. No.

The CHAIRMAN. Is not that mainly a freight-rate proposition, that it costs too much to get it to market?

Mr. EGBERT. Yes, sir. That explained the differential.

Senator MCKINLEY. Let me ask you about the freight-rate proposition. I noticed the other day down here a grocery store where they are offering to sell three pounds of apples for 22 cents. That would be $4.40 a bushel. What would that bushel of apples be worth in Oregon?

Mr. EGBERT. About 70 cents.

Senator MCKINLEY. How much is the freight from Oregon here?

Mr. EGBERT. I could not tell you. I don't know.

Senator MCKINLEY. Then how do you know it is the freight rate that affects you?

Mr. EGBERT. I said some of our farmers complain of the high freight rates.

Senator MCKINLEY. Probably half of that $4.40, or less, is represented by freight.

Senator GOODING. I understand that the rate is $2.20 on fruit from Washington.

The CHAIRMAN. Senator, how much would it be on a carload of wheat?

Senator GOODING. Around $650 a car, and I think apples is about the same rate, maybe not quite as much—not quite as high.

The CHAIRMAN. There is no icing of fruit, is there?

Senator GOODING. Yes. Not all fruit. Not for apples.

Senator MCKINLEY. Is it not a fact that the McNary bill affords an opportunity to more or less control the market and handle the surplus, Is it not a fact that the McNary bill rather takes care of you by caring for the surplus until there is a demand?

Mr. EGBERT. We understand it has the tendency. That is, in fact, one of the functions of the bill. It could be applied to any agricultural commodity when it is below the ratio price.

Senator MCKINLEY. Assuming that it can be shown that apples are laid down here, including the freight, at a cost of $2.20, and sold at $4.40, have you any suggestion that would right that situation?

Mr. EGBERT. Well, it has occurred to me that possibly more direct marketing facilities might cure a certain per cent of that. It is probable, although I will say I am not acquainted with jobbing very much. It is probable that this product goes through several hands between the farmer and the consumer, each taking their commissions.

Senator MCKINLEY. Here until recently the packers, who have their distribution houses in Washington, advertised that they sold meat at an average price of 20 cents a pound and that consumers

paid 40 cents a pound. What is your suggestion about correcting that?

Mr. EGBERT. It would appear then that that was a matter that is local between yourselves and your wholesalers, or between your wholesalers and your retailers. That is beyond our jurisdiction.

Senator MCKINLEY. But that affects the farmer.

Mr. EGBERT. Sure it does affect the farmer. They are able to name the price that they give the farmer for his product, and they are also able to name the price that you consumers must pay for the product.

Senator MCKINLEY. Well, have you any suggestions for correcting that?

Mr. EGBERT. I understand that there are laws in effect that are supposed, if they function, to control excess profits and abnormal commissions, but apparently they do not seem to function at the present time. I would not know how to get at those myself. Not being a lawyer and not being familiar with the laws, I would not know just where to approach these things. It is possible, if the farmers could not have their agents in the markets of the East, through some organization, that they might be able to get in direct touch with the consumer and eliminate a whole lot of the differential or spread between the producer and consumer by selling direct.

Senator MCKINLEY. Would it not seem, then, that that is the great trouble?

Mr. EGBERT. It probably is a portion of the trouble, yes; and I think it would be the tendency of this export commission to be in position to investigate those things. They would be a Federal corporation with power and authority to get in touch with agricultural statistics and Federal records. It would put them in a position that unforutnately we have never enjoyed. They have never been able to give us any statistics or records of, you might say, all the manipulations.

The CHAIRMAN. Of course, we all remember the manager of a cooperative fruit company in California that came on here and testified how large organizations of that kind were compelled, instead of selling to a dealer direct, to patronize jobbers and commission men, and their organization, although they wanted to sell direct, were at the mercy of those fellows and could not help themselves. Now, if we could remedy that it would be a great help, there is not any doubt about it, if something can be done to eliminate the profits of middlemen.

Senator MCKINLEY. Of course in the meat industry here is the Center Market, and even though the packer brings the meat to them and lays it right on their counter at 20 cents a pound, we have to pay 40 cents a pound.

The CHAIRMAN. This man said on one occasion they were overstocked with a large supply of apples, and he was manager of this organization, and was the only man in the organization who had anything to say about it. He had charge of the entire thing, and he tried an experiment by getting out a lot of circular letters and sending them to retailers, as I remember it, somewhere in your country, in Illinois, and immediately orders commenced to come in from

these retailers, and they were filling them, and then he got word from the jobbers and wholesalers from that territory countermanding their orders, giving as a reason that they had gone over their heads and were selling to retailers, and notifying them that they never would give them another order, and they had to go back and apologize to them and tell them they wouldn't do it any more, and they haven't done it since.

Senator NORBECK. And you will recall that there was testimony that certain of their members were selling dried fruit, and they had to give that up.

The CHAIRMAN. They gave it up. He said they could not sell their product if they undertook to sell it direct to the dealers.

Senator NORBECK. They went to the farmers and sold it back to them for their table use.

The CHAIRMAN. Have you any further statement?

Mr. EGBERT. I do not exactly know what you gentlemen would like to have me bring out or what you are especially interested in. I will say that what we are especially interested in is immediate relief by some just and equitable measure or provision. We feel that the interest of the farmer is jeopardized. I think it is safe to say that farming is on a scientific basis, but apparently it is not profitable yet. It is simply a business that he has been operating at a loss, and he is living on his reserve and depreciation, and how long he can continue to do that even under the most favorable circumstances is a question, and with most of them it is a matter of a very short time until they will have to dispose of their holdings.

Senator RALSTON. What do you say you want the Government to do? Furnish you money?

Mr. EGBERT. We don't want any further credit.

Senator RALSTON. Then, what can the Government do?

Mr. EGBERT. Our idea was that by the enacting of this bill to form an agricultural export corporation it would enable the farmers to help themselves by disposing of this surplus, which they tell us is the cause of the low price of grain.

Senator RALSTON. You think it would help you in the foreign markets?

Mr. EGBERT. Yes, sir. That is the idea. We feel that it is not advisable, it is not good business to ask for further credit to operate at a loss.

Senator RALSTON. Of course, you can not find a foreign market unless the people in that foreign market are able to buy?

Mr. EGBERT. That is the purpose of this commission, to take care of this surplus, whatever it may be, and the farmers, perhaps by this scrip system that is illustrated here and advocated in this bill to finance the difference or what you might say subsidize the exports so that they can compete with other markets of the world.

In our country there are a number of factors that enter into this. Of course, we know that the home consumption of wheat—we will take wheat as an example, because that seems to be the leading consideration, being more general in scope—it appears from the statistics that we receive that home consumption has decreased, the people were educated to get along with less grain for one thing, and, another thing, our northwestern millers have had very extensive contracts in the Orient and in the islands, and southern Europe, prior to the war, and they were able to keep their mills running to fill their contracts, but during the time that wheat was tied up they lost those contracts and other countries bid for those contracts and have in many cases received them, and that, of course, in a sense, gives us a larger surplus than we otherwise would have, because we have been taking care of a portion of our grain through those contracts. We lost them during the war period when our wheat was tied up and our mills were unable to run.

We have been repeatedly given to understand that ultimately we must work out our own salvation. We can not tear down somebody else's established institution to take care of ourselves, but we must find some means of working out our own case to the best possible advantage. We don't pretend to say that this will cover the whole ground, but we feel that it will perhaps reestablish confidence and will give people a new lease of life, new hopes to build on, and the farmer naturally, if he has any encouragement, is an optimistic man and will go on from year to year producing with the hope that each year there will be more favorable circumstances, more favorable conditions.

Senator MCNARY. Do you think this plan set forth in the bill under consideration is practical?

Mr. EGBERT. It is, it seems to me, Senator. As far as I understand the bill, it seems to me the most practical that has been called to my attention, although, as I said before, I admit that I am not thoroughly conversant with other proposed bills, but it is at this time the most popular bill in the North.

The CHAIRMAN. That would be in Washington and Oregon.

Mr. EGBERT. Among my people out there in my district it is the one that we concluded to get together on, and we were not sure that the bill, at the time it was proposed, was altogether a perfect bill, but we felt that you people are qualified to reconstruct it until it is a workable bill.

If you gentlemen have any questions to ask. I will endeavor to answer them to the best of my ability. I would like to assure you that anything you do for the farmer will be appreciated.

The CHAIRMAN. All right, if that is all. Mr. Stockton is next.

STATEMENT OF MR. W. L. STOCKTON, CLARKSTON, MONT., PRESIDENT STATE FARM BUREAU, PRESIDENT STATE DAIRYMEN'S ASSOCIATION.

The CHAIRMAN. What is your name?

Mr. STOCKTON. W. L. Stockton.

The CHAIRMAN. And your business?

Mr. STOCKTON. I am a farmer.

The CHAIRMAN. Are you connected with any farm organization?

Mr. STOCKTON. I am president of the State Farm Bureau and also of the State Dairymen's Association.

You have before you the McNary bill, which is a stabilizing bill, to try to stabilize agricultural products. I suppose if you were to ask an ordinary farmer what his main troubles were, he would tell you it was the low price for his product.

Taking wheat as an example, as it seems to be the biggest sore spot on the agricultural map at present, I think most any wheat farmer would offhand tell you that the price of wheat is entirely too low; yet, as a matter of fact, as we look back over the records we will find that the price of wheat during the past 50 years at the terminal market has averaged below a dollar a bushel for the period. For the past two years it has been above a dollar a bushel. Consequently, viewed from the standpoint of dollars and cents, the price is not low; but the trouble has been the exchange value is low, and that is all we raise our wheat for. If we could not exchange it for something else it would not take a very large batch of wheat to do each one of us. The exchange value is low because the price of the commodities the farmer has to buy has gone up very materially—something, I think, like 50 per cent. I think you Senators all know the Department of Labor gets out every month a study of prices of a large number of articles in the commercial trade. I think there are 407 different articles. They show the index number or the price level of these articles. If wheat was put on the same basis with these price levels the price of wheat to-day would be around $1.62 a bushel. That is due to various things, but quite largely it is due to the tariff on manufactured goods, which makes their price high.

We like to pride ourselves on the development of our manufacturing industry and the high state of living of the laboring man, much higher than in other countries, brought about by these conditions; but the farmer realizes that he has been flimflammed a little bit in this tariff proposition.

For example, in the present tariff bill which we have before us the farmer was led to believe, "If you vote for my tariff measure on this, we will take care of you nicely by giving you 30 cents a bushel tariff on your wheat." Now, then, I think we all realize the price of wheat is set in Europe. It does not make any material difference whether there is a tariff on wheat or not. If it makes the farmer feel better to have a tariff on wheat I would say give it to him, because it is not doing anybody any good and it is not doing anybody any harm; that is, operating as we do at present.

Senator GOODING. Are your people in Montana in favor of the tariff?

Mr. STOCKTON. You will find all varieties when you come to take up the subject of tariff.

Senator GOODING. Do you mean to tell me that the tariff has not been of any benefit to the people of Montana and North Dakota and South Dakota?

Mr. STOCKTON. I don't believe it has been any great deal of benefit. That is my personal opinion.

Senator GOODING. Have you made any investigation to know whether it has helped the market?

Mr. STOCKTON. Here is my idea on that. Suppose Canada has got 500,000,000 bushels of wheat. They are not going to dump it in the ocean. They are going to sell it. As long as our price is fixed in Liverpool, what difference does it make whether that wheat goes through to Liverpool or comes around on the Pacific coast and we take it there, as long as it is on the Liverpool basis?

Senator GOODING. I agree that on wheat directly to Liverpool the tariff does not help, but our wheat that comes in competition with

the Canadian wheat is protected by the tariff. The records show that they are highly competitive.

Mr. STOCKTON. There is some connection there; but it is slight, I will say.

Senator GOODING. The market price before the tariff bill was passed showed that Canadian wheat was selling five cents higher than our wheat, and since the tariff bill has been passed there has always been a difference of thirty cents a bushel higher on this side than there otherwise would have been.

Mr. STOCKTON. Coming through Minneapolis I picked up a paper and looked at the price at Winnepeg, and my recollection is that it was seven or eight cents difference between the price in Winnepeg and in Chicago.

Senator GOODING. It has been always 30 cents more than it would have been without the tariff.

Mr. STOCKTON. However, it is not necessary to get into a discussion of the tariff.

This bill proposes to put the farmer on an equal level with the manufacturer in respect of the tariff, to so arrange things that he will get the benefit of the tariff, and that is all we ask, whether the tariff is high or low.

As I think has been explained to you folks, if this bill goes into effect, a study every month is made of the index figures or the ratio price of various products for each month, and the corporation is authorized to buy enough wheat on the market, or other commodities that are covered by this bill, to bring the price of the commodity up to the ratio price with the other articles that the producer has to buy.

Senator GOODING. Have you made any study of how this bill could be applied to the price of cattle and hogs, for instance?

Mr. STOCKTON. Yes, sir. It is a little bit more complicated, but it is not so complicated that it cannot be worked out.

Senator GOODING. If you have made a study of that I would like to have you discuss it.

Mr. STOCKTON. This bill, if you take the case of hogs, the part we export is the hams, bacon, and lard, of course, and this corporation would be empowered to go into the market and buy hogs, and they have quite wide powers. They have power to make contracts with the packing companies to process this meat and export it just the same as wheat would be exported.

Senator GOODING. To buy it on the farm?

Mr. STOCKTON. Buy it in the stockyards, likely, on the market, and if that was not possible, they would have power to build their own packing houses, as a matter of fact, but that likely would not be necessary. They would have the power to buy hogs or cattle in carload lots and process them, put them through the proper process for export, and export them just the same as in the case of wheat, and the loss would be taken care of in exactly the same way.

The CHAIRMAN. Could you take care of the loss in the same way? I can easily see how you could do that on wheat, barley, corn, or other crops of that kind, but if you bought hogs on the market in Chicago, carload, you would have to keep back a certain part of the price. Is that arranged for in the bill?

Mr. STOCKTON. It is arranged for in that scrip proposition just the same as the wheat.

The CHAIRMAN. If you bought it at Chicago you would go to the postmaster in Chicago and buy this scrip for those hogs, would you?

Mr. STOCKTON. Yes, sir. In hogs and cattle for slaughter you would have to buy them and pay part in scrip.

The CHAIRMAN. That scrip is kept back until the deal is all over?

Mr. STOCKTON. Until the deal is all over, just the same as it is on wheat.

The CHAIRMAN. If you bought hams and lard and bacon there would be scrip there that you would get from the postmaster?

Mr. STOCKTON. Yes, sir; they would likely buy the animals.

The CHAIRMAN. You think they would buy the animals?

Mr. STOCKTON. It can be done either way. And, as I understand, this bill would not be in operation unless this commission declared an emergency existed.

The CHAIRMAN. Yes, I understand that. Before they could buy hogs they would have to declare that there was such an emergency?

Mr. STOCKTON. Yes. It does not apply to everything all the time, every month in the year, unless the emergency exists.

Senator GOODING. Some months it would exist and some months it would not.

Mr. STOCKTON. Yes, sir; that is absolutely the case.

I think in taking care of the loss with the scrip, as it has been explained to you, the department has worked this out very nicely. When the bill was first suggested it was thought it would be a system of bookkeeping, to keep books of each transaction by itself, and we realized that it would be a Herculean job, and I think it was the Department of Agriculture that worked out this scheme of the scrip, which eliminates all bookkeeping in that connection.

There is one point which has been brought up which seems not to have any foundation. It has been suggested that this is working a hardship, in taking the wheat, for the elevator to go and buy this scrip—that his money is tied up in scrip instead of in the business. Do you realize that this elevator man or mill owner starts in to buy a certain amount of wheat and he has to have the cash available to pay for it, and it does not make any difference whether he has a portion of that tied up in scrip or whether it is all in cash? It is there for that purpose, and it is simply the medium with which he buys the commodity, and he does not have to go to the post office the first of the year and buy the scrip that he thinks will be needed for the whole season. He can go for each individual transaction if he wants to and get the scrip for the individual transaction, or every day or any other period that he may desire to.

The CHAIRMAN. I don't think that would be a difficult matter at all. As you say, he has to have the cash to pay the farmer, and it does not make any difference to him whether he pays the farmer or the postmaster.

Mr. STOCKTON. There is another suggestion that has been brought up. Take the case of wheat again. Suppose the price of wheat is $1.50 a bushel, and the elevator man pays the grower $1.25 in cash and 25 cents in scrip, and the producer wants his money, and he goes and sells it to some speculator at 10 cents on the dollar, and the speculator holds it and cashes in at the end of the time. That

is a suggestion that has been made. Of course, he could do that. This bill does not prevent anybody from selling anything that he has. But it does not look reasonable that he would. He knows when he received this scrip that operating under present conditions it would require an equalization fee of about 10 cents a bushel. Supposing they take out 25 cents a bushels in scrip—to be sure, to be on the safe side—he knows what that scrip will be worth, and it does not seem reasonable that he would throw that away or sell it at a great discount, although he has that right if he wants to do it. But even if he threw it away, if he was getting $1.25 in cash for his wheat, that is very materially above what he would get on the foreign market, so he is better off even if he did go to the extent of throwing it away.

The CHAIRMAN. There is one difficulty that struck me that might often arise and would often arise, undoubtedly, and that is this. These farmers that are so heavily in debt have mortgaged their wheat, and the bank or mortgagee would get the cash paid in, and would have an interest in the scrip. Is there any way that that can be handled? It may be that the mortgagee would insist on having the money represented by the scrip.

Mr. STOCKTON. In our country, very frequently where the man has his crop mortgaged and the banker wants the money, and the grower does not want to sell at that time, if he puts the wheat in the elevator and turns over the storage ticket to the bank they hold it and they agree together when that will be sold.

Now, there is another reason why, if he sold his wheat, and the money that he got did not satisfy the bank, he could turn over that scrip to them, and they would know that that has a certain cash value within six months, and it could be applied to that as soon as they found what it was.

The CHAIRMAN. Suppose they do that, they turn it over to the bank, and the note is due, and the banker says, "I want my money?" They could dispose of that scrip.

Mr. STOCKTON. Yes, they could.

The CHAIRMAN. The farmer whose crop would be mortgaged to the extent of the scrip would be at the mercy of the speculator.

Mr. STOCKTON. He would be in a measure, but you must realize that the value of that scrip is not very much—15 cents a bushel, maybe, or something like that—but even supposing that happens, the farmer is a great deal better off than if this had not happened, in fact, because he would have sold his wheat for about 90 cents a bushel.

The CHAIRMAN. I am not arguing that with you. I simply want to get the basis of this legislation.

Mr. STOCKTON. It would be quite possible that he would be forced to sell that scrip.

The CHAIRMAN. Of course the sale of the scrip would be such an unsound thing that a purchaser would not pay very much for it, in order to be on the safe side.

Senator RALSTON. Just what would its value depend upon?

The CHAIRMAN. The value would depend upon how they came out in the export of wheat in that year, and the cost of the administration of all the machinery. For instance, if they were paying $1.50 a bushel at the elevator, this corporation, through its proper officers,

would fix an amount that must be held back and scrip would be given for that amount. That is an estimate, of course. They can not tell until the end of the season how they are coming out, so they always fix that amount held back high enough so that they will be on the safe side, and they would be bankrupt if they did not fix it on the safe side. They fix it large enough in their judgment to stand the loss on the export part of the crop and to pay the expense of operation of the entire scheme. Suppose they said, "We will fix it at 25 cents a bushel." If wheat was selling for $1.50, the farmer would only get $1.25 and would get 25 cents in scrip. If the farmer had mortgaged his crop, of course the mortgage would apply to that scrip, and the mortgagee would be entitled to hold the scrip until the mortgage was paid, and the farmer could not sell it without his consent. On the other hand, he could not tell the bank to wait for the payment of the chattel mortgage until the end of the season. He could foreclose the mortgage and sell that scrip, and then it would be put on the market and sold to the highest bidder for cash, then the speculator would come in at once. I don't think it would sell high because of the uncertainty. Nobody is going to put much money in an uncertainty.

Mr. STOCKTON. That same thing applies in the sale of all commodities. In the Wheat Growers' Association you turn the wheat over to the association, and then they don't make settlement until the end of the year. They don't give you scrip even. This goes further than that. It gives you something that looks like money at least.

The CHAIRMAN. That is true, but at the same time, in the other case, where you don't get scrip, even if you have nothing to show, it would be something that you could not put on the market and sell at a speculative value.

Mr. STOCKTON. There is nothing done here to prevent them from selling that, but that could be taken care of, of course. But he is so much better off than if you did not have this system in operation, that it is a good proposition, even if there were a few of them that were forced to sell the scrip.

You understood, did you, Senator Ralston, that what this scrip is for is to cover the loss on the exportable part?

Senator RALSTON. Yes.

Mr. STOCKTON. The farmer is not asking for any subsidy or any gifts, and one thing about this proposition I think should be attractive is that the farmer is not asking the Government or anybody else to hold the sack for him to cover the loss on this operation. The farmer will assume the loss himself, and he does not even ask that the bonds he has to sell to obtain the cash to carry on the transaction with shall be tax exempt. They are willing to pay their taxes on their own money, their own bonds, the same as any other corporation. The farmer in general can hoe his own row if he is given an even break with the other fellow, but it is a pretty hard proposition to do it with your right hand strapped behind your back. This bill is drafted right through on the idea of placing the farmer on an equal price level with other commodities—that and nothing more.

Some party of some prominence in town here in talking the other day suggested that it did not go far enough, that the farmer had been robbed, I believe he said, of three billion and a half in the last three years, and that should be restored to him, and then he would

put them on this basis, but we have not asked that. We are willing to forget that and let bygones be bygones, if we can be placed on an equal basis with the other producers.

Senator JOHNSON. Can you point out to me where in this bill it makes any promise to the farmer to put him on an even level with the outside?

Mr. STOCKTON. Every month the Department of Labor makes a study of these 407 articles that are in commercial trade, and those articles includes the farmer's produce also, and arrives at the ratio price that they sell at, and this corporation then has to borrow to go into the market and buy wheat at such a level as would place that bushel of wheat on an equal purchasing power basis, taking for example the 10 year pre-war period of 1905 to 1914, when we all concede that not only agriculture but manufacture was on a very stable basis, they have a right to go into the market and buy enough wheat, taking that for example, to establish that price as the market price. If it takes all of it, they have got a right to buy it, but likely they would not have to buy above the surplus. They might not have to buy all of the surplus.

Senator JOHNSON. May I ask you another question? Maybe I am mistaken on this, but I got it this way from Mr. Jewett the other day, that you will get an average of the price paid to the farmers from 1905 to 1914, and you base your price on that.

Mr. STOCKTON. No; not on an average.

Senator JOHNSON. Hold on. That is the reason I asked him "What will the price be?" "It will be about $1.60 a bushel."

Mr. STOCKTON. Yes.

Senator JOHNSON. Now, suppose that is the case. What did we pay for a binder during those years, and what are we paying for binders now, and what have we paid during the last few years, and the loss we sustained which should be by-gones, as you say. Suppose we let it go and give that away. We have given it away already. But what guaranty is there that if the price is high now, that what we are getting for the wheat—average price during 1905 to 1914—will it stay at $1.60, or will that in any way bring us up to the level with other commodities?

Mr. STOCKTON. If I understand you correctly, I think you have a wrong idea of the bill. The price wheat is to be is not the average price in dollars and cents between 1905 and 1914. They take the average price of those 407 articles.

Senator JOHNSON. They were not mentioned at all; 407 articles were not mentioned. Mr. Jewett stated—I guess he is here now, and he can probably correct me, if I am not right, because I just want to get it right—and that is the reason I want to draw out from you something about the bill. I have not seen that in the bill, where there is the machinery to take care of that, but this is one of the most important principles of this bill, and I want to know that. You will excuse me for butting in. I want to explain my attitude. You understand when we now buy we buy in a high market, and when we sell we sell in a low market.

Mr. STOCKTON. Yes, sir.

Senator JOHNSON. What I am after is the price we will get, if we get $1.50 or $1.60, even without including the scrip. I don't care about that, because that scrip business maybe amounts to 25 cents,

and it may go below 25 cents, or it may be 30 cents. Even Mr. Jewett could not tell us about that. How will this bill benefit the farmer, I want to ask you, unless we get cost above production, and one of the essential things that enters into the cost of production is the things that we buy on the market.

Mr. STOCKTON. Yes, sir.

Senator JOHNSON. That is what I want you to explain, if that will be the case in case this bill is put through.

Mr. STOCKTON. This bill absolutely goes on the basis of putting the farmer's product on an equality with other commodities. You have a little wrong idea.

Senator JOHNSON. Where is the bill? Let us see the bill.

The CHAIRMAN. Senator, even though the witness does not agree with Mr. Jewett, you will have to concede that the witness has the right, of course, to state his own idea.

Senator JOHNSON. Oh, yes. Sure. That is what I want to know. That is what I want to get out of him.

The CHAIRMAN. That is what he is going to tell you if you will give him a chance.

Mr. STOCKTON. It is the purchasing power of the bushel of wheat that interests us. It is not the dollars and cents value. It is the purchasing power of the bushel of wheat.

Senator JOHNSON. Certainly; certainly.

Mr. STOCKTON. They take the average price of these 407 articles for each month. This ratio price is liable to change and probably would change every month. It would not change very much, likely, but something might upset the commercial conditions of the country so that the price might come down again, and you might decide to take the tariff off, or something of that kind, so that the price might come down, but each month the Department of Labor makes a study of these 407 articles, and the index numbers fix it at a certain price level. We have that every month now, so far as that is concerned, and before the 15th of the following month the corporation announces at what price they will buy wheat which will place wheat on an equal purchasing power basis with these 407 articles. They don't, in arriving at this price of wheat, average the price that they paid for wheat during those five months. It is the purchasing power of the wheat that they arrive at. They find the purchasing power of a bushel of wheat and they fix the price of wheat at a figure that will make its purchasing power equal to the average price of the 407 articles that they make a study of.

What Mr. Jewett said was that at this time, on that basis, wheat would be $1.62 a bushel to be on a parity with these 407 articles, and that is all we want and all we ask for. If you should take the tariff off to-morrow or next year and the price of those commodities goes down 20 per cent, their study would show right away that the price level had come down, and that would bring the dollars and cents value of wheat down, but to what figure I don't know, but it might be $1.40. But whatever it might be, it would not be made on the basis of the study of the average price paid for wheat during the period from 1905 to 1914. It would be on the basis of the purchasing power of a bushel of wheat. The price would be set so as to place the purchasing power of a bushel of wheat high enough to

be equal to the purchasing power of a bushel of wheat during that period from 1905 to 1914.

Senator HEFLIN. In other words, if the percentage price comes down you can buy more with that bushel of wheat than you can now?

Mr. STOCKTON. The price level would vary with that right along.

Senator JOHNSON. I listened to Mr. Jewett in Congressman Simpson's room, and this was not touched on by him or in the committee while I was present.

Mr. JEWETT. If I may be permitted to say, I think I covered that, Senator, quite completely. It is covered in section 24 of the bill, the whole procedure by which the ratio price is determined.

The CHAIRMAN. It does not make any difference that this witness does not agree with Mr. Jewett. We can have Mr. Jewett back on the stand if we want to.

Mr. STOCKTON. Mr. Jewett and I are agreed on this. There is no scrap between us or anything of that kind. The Senator did not quite understand it, that is all.

The CHAIRMAN. All right; go ahead.

Mr. STOCKTON. So that is the fundamental principle of this bill. It is to place the farmer on an equal purchasing power basis with other commodities. It is that and nothing more.

Now, then, we might be justified and have been justified in retaliating a little bit, and we might say that we have had the short end of the stick long enough and we are going to swap ends and take the long end of the stick a while, but we have not done that. We even have a provision in there saying that the commission might in some way or other, possibly by buying wheat, bring it up to a price level that would be materially above the ratio price, and they are authorized to dump wheat on the market to bring it down. In other words, this bill is designed to protect the consumer as well as the producer. Now, that seems absolutely fair, and it does seem like we might have been justified in trying to adopt retaliatory methods, but we have not done it. A square deal is all we want—that and nothing more.

I think that a little more concrete example might not be out of line. I think you will admit it would be very bad business for a merchant to go and buy his stock of goods on a closed market with the idea that he is going to sell it on an open market, or a manufacturer to buy his material and employ his labor on an open market with the idea of selling his product on an open market. That is exactly what the farmer is compelled to do, and that is the reason we are having banks going broke, and the reason the farmers are leaving their farms and land is being deserted, because he is forced to produce on a closed market, just as the Senator said, and sell it on an open market. This bill is designed to eliminate that thing and to give him an equal look in on the price situation with the manufacturer and other branches of industry, and it will, in a great measure, eliminate speculation. It won't entirely eliminate it, of course. There is a fluctuation there, and there is no reason why you should not bet, if you want to, on what the price level is going to be next month or in the next six months, but unless something upsets our commercial situation materially it likely won't vary but little.

So, in general, in closing I think I can say that all we want is to be placed on an absolutely equal price basis with the other fellow, and nothing more. I might call your attention to the fact that this bill places every Member of the Sixty-eighth Congress on record as to whether you are willing to place the farmer on an equal basis in price level with the other branches of our industry, and we will listen for the roll call.

Now, I would be glad to answer any further questions that you may want to ask.

Senator HEFLIN. Is there any other business that you know of that has nothing to do with the fixing of the price of the things it has to sell?

Mr. STOCKTON. No, sir.

Senator HEFLIN. This is the only business?

Mr. STOCKTON. Yes, sir.

Senator HEFLIN. You are trying to get to the time when the farmer should have the same price-fixing power?

Mr. STOCKTON. He has the price-fixing power in this bill in this respect, that this corporation has authority to go into the open market and buy commodities sufficient to bring the price up to the level that is calculated will place the purchasing power of the farmer's product on an equality with the other materials that he has to buy. The only way they can influence price is by buying and selling. They have no other way of influencing price. Consequently, if the price should go high, or the price of other commodities should decline, they are authorized to dump some of the product they have bought onto the market to bring it down to a proper price level. But suppose there should be a shortage, a world shortage, or a shortage locally, and they did not have anything to dump on the market. Then they could not stop it. It could go as high as it might. That would happen to-day on cotton. The ratio price would be 20 cents a pound. I don't need to tell you what it is. If this was the price, they would not be able to dump any on the market, because they haven't any.

Senator HEFLIN. As I understand the farmer's problem, what this bill would do would be to put him on that basis. He has got to reach the time when he can sell or not sell his product when the price fluctuates up and down, when he can say, "I am not going to sell until I can get cost of production plus a reasonable profit."

Mr. STOCKTON. This bill will stop that fluctuation up and down unless something should upset the price level of all commodities. If something should upset the price level of all commodities so that the general price level should come down a certain amount, then this corporation would be authorized to dump enough on the market to bring the price down to its proper level, and we do not ask for anything more than that.

I also want to say about this bill that it is nonpolitical and nonsectional. It places the farmers of the South absolutely on a equality with the farmers of the North and West.

Senator JOHNSON. You realize if we are going to put anything through we don't expect to put it through before we get all the information we desire, and there has not anything been put through Congress before that has not been criticized and amended and changed years afterwards.

Mr. STOCKTON. You will be criticized on anything you put through.

Senator JOHNSON. Yes; we know that, and that is the reason we want to get the information. I have not read this bill. I asked Mr. Jewett, and I thought I understood what he said about it at first, and that is the reason it was a surprise to me when you mentioned it. I realize the consumers on the other side should have their say, and so you know we get hit on both sides. That is one thing that I would like to say. We have lost millions of dollars, and the United States Government should pay something to help us get back on our feet. We have lost our farms. They are gone. Something ought to be done. They did something for the railroads, didn't they?

Mr. STOCKTON. Yes.

Senator JOHNSON. Yes. This bill probably is all right in some respects, and in some respects probably it doesn't go far enough.

Mr. STOCKTON. In regard to the consumer, we ask the consumer if he is not willing that the man who produces his fundamental food products shall be placed on a level with the other fellows, and that is all we ask. I think you had the head baker of the Army here—I saw it in the paper—to tell you how to produce a pound loaf of bread for less than 2 cents a loaf.

Senator JOHNSON. While it was good, that had nothing to do with it, because somebody was paid by the Government to do the work. That testimony does not help us a bit.

Mr. STOCKTON. The Government had to buy the materials. We are talking about the material that enters into it.

Senator JOHNSON. I realize that.

Mr. STOCKTON. The price of the material is all we are talking about. The change in the price of bread if this bill went into effect would be trivial.

Senator JOHNSON. You are right, I suppose; but I want to say this to you: A big manufacturer told me the other day he made enormous profits during the last year, and he said, "I am making profits to-day." He told me instead of raising the prices to the farmers we should lower the prices of the things they bought. "Well, suppose we can do it in six months," I said, "what will happen to the farmers?" Three and five years ago he went out and bought things when butterfat was 90 cents, when hogs were $18 a hundred, with the expectation that the United States Government, through Congress, should assist them and guard them, so to speak, against deflation of the products that they produce, so they can stay in business, you understand.

Mr. STOCKTON. Yes, sir.

Senator JOHNSON. Then you think we ought to go back and call it square, as you said, and let bygones by bygones?

Mr. STOCKTON. You can do that if you want to

The CHAIRMAN. I want to ask a question, and I ask it from the viewpoint of getting all the facts out.

You said it is conceded that the farmer ought to have cost of production plus a profit.

Mr. STOCKTON. I did not say that.

The CHAIRMAN. You ought to have.

Mr. STOCKTON. You get into a discussion that is pretty deep water. There are all kinds of ideas about that.

Senator HEFLIN. Fundamentally, it is a sound proposition.

Mr. STOCKTON. Yes; it is, fundamentally.

The CHAIRMAN. I think nobody will dispute that. If you do that, now, you put him on the basis of increasing the price of the product that he sells, and you do not lower the price level of the machinery or of the middlemen, but leave all that machinery and the profits of middlemen in operation, as they are now, and it would increase the cost to the consumer and increase the cost of living, then will it not follow that wages will have to be increased in all lines, and then you will have to increase again what the farmer sells, if these 407 products increase in value. In other words, we have got to raise the price of the farm products up to a level of the 407 articles, and the result is that the consumer, who is already overburdened, who already pays too much, has to pay still higher. You have not any place in the travel of the product from the producer to the consumer lessened the middlemen's profit or the freight proposition, which to my mind is almost fundamental before you can get a complete chain that will put everybody on a fair basis. This bill does not eliminate the middleman.

Mr. STOCKTON. This bill does not solve all the problems in the world by a lot.

The CHAIRMAN. No.

Mr. STOCKTON. This bill simply tries to put the farmer on an equal basis.

The CHAIRMAN. And I think it is admirable in that respect. I am not criticizing that. I think that is a good thing. That is almost fundamental. We ought to do that. At the same time, if we find in our system of distribution that it is costing us too much to distribute the products——

Mr. STOCKTON. That will have to be solved.

The CHAIRMAN. After it leaves the farmer and until it gets to the consumer, if there is any way to reduce that or to eliminate it, we ought to do that, don't you think?

Mr. STOCKTON. Arguing the other way, you would not say that the farmer's price should be cut in the middle to reduce the cost of living?

The CHAIRMAN. Not unless the farmer could get a living profit on what he produces.

Mr. STOCKTON. No matter what the profit was, if the farmer is entitled to an equal price level with the other general trade.

The CHAIRMAN. Certainly. That goes without saying.

Mr. STOCKTON. That is all we are asking for.

The CHAIRMAN. I know; but it seems to me that in asking that you are overlooking a fundamental proposition.

Mr. STOCKTON. There are a lot of things this does not solve.

The CHAIRMAN. The farmer and consumer are equally interested in having the cost of distribution lessened.

Mr. STOCKTON. That is all true; but this is a farm-products stabilization bill, and it is not trying to solve all the problems of commerce of the United States.

The CHAIRMAN. Of course, this refers to the products of the farm, but if the farmer is producing a certain product—let us say potatoes

or meat or anything else—if he is not getting cost of production out of it, and at the other end if the fellow who consumes it is paying so much that he can not make both ends meet, then between those two extremes——

Mr. STOCKTON. Something ought to be straightened out.

The CHAIRMAN. Something ought to be straightened out.

Mr. STOCKTON. Absolutely.

The CHAIRMAN. This bill does not attempt to straighten that out?

Mr. STOCKTON. No, sir. It simply goes on the basis of trying to place the farmer on an equal basis.

Mr. JEWETT. Mr. Chairman, might I offer a suggestion?

This bill does not enter into the general domestic market. The only way the Government can touch upon the question of profits of middlemen in the handling of domestic commodities between the domestic market is to enter into the general marketing of all products. This bill does not do that. This bill does definitely and specifically touch upon and has the power to regulate the profits of the exporter and the difference in price between the American market and the foreign market. This bill has in it an element that would permit the commission to search out the markets of the world and to find the very best place that this commodity could be sold, and eliminate other markets as far as possible. It does not enter into domestic situations. The farmers feel that the cooperatives which they are fostering and developing might handle the question of middlemen to quite a degree. In wheat right now he is not a very serious factor.

The CHAIRMAN. We had it illustrated in cotton.

Mr. JEWETT. When cotton was at such a price as would come within the scope of this bill it would eliminate the wide fluctuations which the Senator has referred to, because the ratio price would be set and the corporation would be ready to buy that at the ratio price whenever it was not moving at that price. This corporation sets up a buyer in the market ready to buy a commodity at a certain price, which means that the commodity is not going to sell in the market below that price. If we had a wealthy man to come forward and say, "I will buy wheat at $1.60 in the market," that being spread over the various markets at the same ratio, wheat would be at that price.

The CHAIRMAN. Yes; on the other hand, if that rich man who would do that would likewise say, "I will sell direct, at a certain price," and he had the money to handle it, and do it, he would cut off an enormous amount of profit in distribution.

Mr. JEWETT. That is quite true, Senator, and this bill does not attempt to reach that. That is a thing which we have not tried to do with this bill. We have tried in this bill, as has been so well explained by the witness, to place the farmer on an equal basis.

The CHAIRMAN. I think it is admirable in that respect, and I am not looking at it in an unfavorable attitude at all.

Mr. JEWETT. I appreciate that, Senator.

The CHAIRMAN. I want to ask you, right on that proposition, this question: Another bill, designated ordinarily as the Norris bill, does undertake to do that, and this bill does not.

Mr. JEWETT. I think the Norris bill undertakes it in a domestic market. The Norris-Sinclair bill does not provide for us a means of disposing of the surplus on the markets of the world and ab-

sorbing the losses, unless it be by the Government, which I don't think is the object of the bill.

The CHAIRMAN. I think you are wrong about that. Although the Government furnishes the money, it is not intended that it should be a losing venture. They are given authority to buy these farm products wherever they want to, and sell them any place they please.

Mr. JEWETT. They would have to buy at a price that would permit them to sell in the markets of the world without loss?

The CHAIRMAN. Oh, no. They would expect to sell it at a loss. In other words, it is just like your rich man. Here is a man rich enough to go out and offer to pay so much for wheat, and if he has the money he will make wheat go up to that price. And, as I said, if he was still rich enough to say that he would sell flour at a certain price, he could eliminate the middlemen's profits. That is, he could do that if he had money enough to do it. This big corporation is big enough to do both of those things.

Mr. JEWETT. It would have to absorb the loss between the American price and the foreign price.

The CHAIRMAN. Certainly you would have to do that.

Mr. JEWETT. We absorb it, but we provide a fund with which to absorb it.

The CHAIRMAN. Exactly, and this does it through the profits it will save by the elimination of the middlemen. It would sell at a higher price excepting where it had to dump the surplus, and it would make the profit out of it, and out of that profit it would pay the loss. You pay the loss by taking it out of the farmer when he first brings the product in. I don't see that there is much difference, ultimately, as to where the money comes from to pay this loss, excepting that you do not eliminate any of these middlemen. As a matter of fact, the railroad is one of the necessary middlemen. It takes nearly every cent that it gets out of distribution of products. It does not get any money anywhere else except from the hauling of passengers, and that does not amount to very much.

In foreign shipping, would it not be a good idea if we could take our ships that are tied up doing nothing and put them to work, and put them out on the basis that they would make nothing but expenses?

Mr. JEWETT. Yes sir. I would like to see that done.

The CHAIRMAN. Did you ever figure out how much they would make on the export products? Perhaps they would make enough to pay the loss on the export product, because there would be no profit in it for anybody. It would go at cost, and there would be no loss of anything except the use of the ships, which we have already standing idle.

Mr. JEWETT. It would be a mighty good idea. I don't know what profits now exist in the shipping business. In other words, I don't know what the freight would be on a bushel of wheat taken to a foreign port in an American bottom operated on a nonprofit basis. I have heard it said, not concretely, or probably authoritatively, that the present rates were not sufficient to cover the costs. That, I believe, was the argument during the period of discussion of the ship subsidy bill.

The CHAIRMAN. Oh, well, it seems to me perfectly reasonable to say that the fellows who are operating the ships, if they were operating at a loss, would stop operating.

Mr. JEWETT. Of course the foreigner is operating his ships cheaper than we can operate American bottoms. Take the Chinese. We hire many of their ships. They very often give us an inside rate. They are quite prone to be rate cutters. But they operate their ships with a class of labor that under our standard of living our American bottoms can not compete with.

The CHAIRMAN. They make a profit out of them, of course, They make money out of the investment they have in their ships.

Mr. JEWETT. They certainly must, or they would not continue their operation very long.

The CHAIRMAN. You are interested in shipping. You say you charter whole ships sometimes? If you could make an arrangement with a shipowner who would say, "I have got this ship tied up, not using it, and if you will pay the expenses of operation, I will haul your product anywhere you want to go," that would be a pretty big thing for your wheat organization, would it not?

Mr. JEWETT. Yes. On wheat I can tell you it would be about 20 cents a bushel. It costs us 18 to 20 cents to lay our wheat down in U. K. points. But, Senator, it would be impossible to operate those ships at outside cost. The freight rate now from the Pacific coast is about 19 cents per bushel. The freight rate from New York is about 8½ cents a bushel.

The CHAIRMAN. In addition to that, if you were operating those ships you would not be confined in their operation to farm products. If I was making harvesters, while you were hauling the wheat, you could have part of your cargo consist of mowing machines or harvesters to Germany, for instance, where you are going to sell your wheat, and get some money out of that, and you could charge the going rate, if you wanted to, for that.

Mr. JEWETT. Senator, of course you know more about that than I do, but I think in view of the whole ship subsidy controversy, it was developed that the operation of our ships on the freight rates as they now prevail was not a profitable transaction, and if it was not a profitable transaction, of course there would not be any money made out of it under the provisions of the other bill.

The CHAIRMAN. Of course, I could easily see that there could be so many ships put on the water that if they were all working there would not be enough money to go around.

Mr. JEWETT. I think it is conceded that American ships using American labor and the American standard could not compete with foreign ships, such as the Japanese, and, contrary to the opinion of some, their bottoms are plying our ports and British ports just as freely as between our ports and oriental ports. For instance, we are shipping wheat to Hamburg in Japanese ships.

The CHAIRMAN. Would you not a little rather ship in American ships?

Mr. JEWETT. Exactly so, but we can not afford to pay the price.

The CHAIRMAN. Exactly; but if this other bill should go through, you could ship at absolute cost without any profit from the operation.

Mr. JEWETT. Your cost of transportation would be higher, probably than the Japanese.

The CHAIRMAN. I have an idea that is true.

Mr. JEWETT. I don't say that is true, but I am going back to the subsidy argument. Was not that the basis of the subsidy argument?

The CHAIRMAN. There was all kinds of argument made. Whether that was made I don't remember. For instance, we have been handling the governmental corporation for a great many years, running ships between Panama and New York and other United States ports and operating the Panama Railway Co. That is owned entirely by the Government of the United States. I have followed it very closely. They do not get their ships for nothing. They either charter them or own them. In one way or another they put money into them, and they are operated by Americans and have made money. Now, if they could get off, instead of buying ships, by having those ships turned over to them at no cost whatever, and the only obligation they had was to keep them in repair, it would seem to me there would be an enormous saving in freight on all of the export products, and in addition to that, whatever profit they could make on any other product they would have a perfect right to do so.

Mr. JEWETT. I am in sympathy with your theory, Senator, absolutely. There may be some question in our minds of the ability to enact that class of legislation.

The CHAIRMAN. Yes. I agree with you there. But we never can enact it as long as we have a big farmers' organization like this, now, that takes up the administration bill every time to defeat that kind of proposition with. It has been defeated three times in the same way. I think you have a better proposition now than they have ever made before. I think a good deal of your proposition, and I suppose I would have been behind it if it had not been that I thought this other was better. As I told you the other day, long before the Agricultural Department took it up, this farmer who claims the honor of originating the idea, out in Red Willow County, Nebr., gave them the fundamental theory all mapped out, laid out before me, and I was very much attracted to it, and I suggested this. He was in favor of my bill then. I said to him, "I think this would be a good thing. I wish you would take it up with the Secretary of Agriculture." He took it up with the Secretary of Agriculture and got a very courteous answer. They treated him very nicely. He got a very long letter written by the Assistant Secretary, but condemning it without any question, and it having been condemned by the department, I never gave it any further consideration. Of course the only way to ever get that would be to offer something which they consider so much worse that they will take it for fear they will have to take something that is worse. But we can not get the plan I have outlined to you unless we have united support back of it, and we don't have it. They have always succeeded in getting a strong backing for something else. Of course that kills our proposition. I don't think there is any doubt about that. The only thing I feel now about it is that I think they have got behind a real good proposition that will do a whole lot of good.

Mr. JEWETT. If that feature you speak of can be brought in, you understand we are not here to oppose it.

The CHAIRMAN. I understand.

Mr. JEWETT. We want relief. One bill is just the same as the other to us. What we want is relief.

The CHAIRMAN. I think this will give you a lot of relief.

Mr. JEWETT. We thought that equalization fund was fundamental.

The CHAIRMAN. Yes. I am impressed with this bill, but it does not strike at one of the very fundamental difficulties. We will never get relief as long as it costs so much to distribute the products.

Mr. JEWETT. It does not enter into that general commercial field that you referred to.

The CHAIRMAN. I hesitate to do that. I don't want to put the Government into business, but it seems to me we are up against a proposition where we can not help it. We have got to put the Government in business to some extent, or business will put the Government out of business.

We will meet to-morrow at 10 o'clock.

(Whereupon the committee thereupon adjourned until 10 o'clock a. m., Wednesday, January 23, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

WEDNESDAY, JANUARY 23, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Gooding, Ladd, Norbeck, McKinley, Smith, Heflin, Ralston, and Johnson.

STATEMENT OF MR. BENJAMIN C. MARSH, EXECUTIVE SECRETARY OF THE PEOPLE'S RECONSTRUCTION LEAGUE AND MANAGING DIRECTOR FARMERS' NATIONAL COUNCIL, WASHINGTON, D. C.

Mr. MARSH. Mr. Chairman and members of the committee, I appear on behalf of the people's Reconstruction League and the Farmers' National Council on the bill introduced by Senator McNary (S. 2012) entitled "Declaring an emergency in respect of certain agricultural commodities, to promote equality between agricultural commodities and other commodities, and for other purposes."

I want to say that, of course, we are entirely and thoroughly in sympathy with the purpose of the wheat growers of the Northwest, the American Wheat Growers Associated, in endeavoring to get a fair price for the wheat, and I want to analyze this bill and point out what it seems to us are very fundamental defects in it which ought to result in its withdrawal, and which we believe should enlist the active support of the proponents of this bill for the Norris-Sinclair Government marketing corporation bill.

In the first place, I want to say I understand this is primarily a proposal of the Federal Department of Agriculture, and the most significant thing about this is the fact that the Secretary of Agriculture has finally been led to recognize the fact that has been obvious to every man of ordinary common sense for two years, that an emergency exists in agriculture. But there is a fundamental defect, rather several fundamental defects, in this bill, and I would like to first analyze the bill somewhat thoroughly.

I regret, let me say right now, very much that the introducer of the bill, Senator McNary, is not present, because perhaps he might be able to throw some light on some of these rather dubious and doubtful expressions in the bill.

But the following section, 1 (a), is not doubtful:

> There is hereby established, as an emergency measure, a temporary commission to be known as the United States agricultural export commission, etc.

Now, Mr. Chairman, if there is anything that is obvious, it is that we do not want to deal with this farm problem as a temporary situation. I would like to quote from the report of the Secretary of Agriculture. I will be very brief. This is from the Yearbook of 1921, on page 3:

The people of America have, until very recent years, been fed at a price below the actual cost of producing farm crops, if all of the factors which properly enter into that cost are considered, and if the farmer should be allowed a wage no larger than the wage paid for the cheapest labor. In the case of the investor or speculator, increase in the value of farm land may be unearned increment. In the case of the farmer it is earned increment.

Now, I am perfectly willing to admit, as it is obvious, that the main profit of farming, certainly since 1890 or 1900, has consisted not in the price received by the farmers for their crops, but in the increase in the value of farm lands, and that has led us to a most serious situation, because to-day it is certainly most difficult for us to compete in the world market, because of the high selling price of farm lands, and, of course, the tenant farmer could not participate in any way in the advanced selling price of farm lands.

We decline to accept any bill which purports to be, as this frankly admits it is, only a temporary proposal. A permanent proposition must be enacted by Congress at this time to get some efficiency, some business methods into the distributing of farm products.

Now, I almost marvel at the modesty of the Secretary of Agriculture. He says the Secretary of Agriculture shall be the chairman of the commission. Now, Mr. Chairman, the Secretary of Agriculture has made a dismal failure, either through inefficiency or worse—and the evidence points to the fact that it is much worse, willful collusion with the packers—Mr. Wallace has made a dismal failure of the administration of the packer and stock yards act, and it is supreme political impertinence for him to suggest himself as chairman of a commission charged with the administration of a measure designed to relieve agriculture. I shall not go into it fully, but I call your attention to the fact that we are endeavoring to transfer the administration of that act from the Secretary of Agriculture to the Federal Trade Commission, and we are assuming that the next appointee to the Federal Trade Commission will be something besides an Ohio pothouse politician, somebody who really has some interest in the public welfare.

You can realize my consternation when the expose or explanation of this bill was made the other day before the House Committee on Agriculture by Mr. Charles H. Brand, of the Department of Agriculture, a well-known tool of the packers, whether he is in the pay of the Government, in the Department of Agriculture, or whether he is outside. As proof of this I would like to put in the record an excerpt from the hearings of the Senate Committee on Agriculture, Part II, S. 5305, when you were a member of the committee, Mr. Chairman, Mr. Swift's statement about how Mr. Charles H. Brand was used to kill the Borland resolution for investigation of the meat packers. It is a brief letter and will be very illuminating to this committee. It is a memorandum to Louis F. Swift, fourth floor, on "The Borland resolution," dated March 2, 1916.

The CHAIRMAN. Yes. Read it.

Mr. MARSH (reading):

Borland is just now the most unpopular man in Congress because of a rider he attempted to get into the appropriation bill extending the work of all departmental employees one hour per day without additional pay. Anything that he advocates or handles during the next few weeks will meet the opposition of almost everybody in a harrassing way.

The CHAIRMAN. This is written to Mr. Swift?

Mr. MARSH. This is written to Mr. Swift. It is "Law department, R. C. M., I. O. B."

Senator Norris asks the question as it came from Mr. McManus.

Senator NORRIS. That is a letter from Mr. McManus?

Mr. HENEY. Yes; from Mr. McManus to Louis F. Swift. Mr. Brand had called a meeting of representatives of the National Livestock Association and of the packers in November, 1915, which the livestock cattlemen's representatives attended, and which the packers declined to attend, did he not?

Mr. Veeder then put in——

The CHAIRMAN. He was the attorney for the packers?

Mr. MARSH. Attorney for Swift & Co.

No; the packers were represented there and also the packers' stock yard men.

Then it goes on:

Congressman Carlin, chairman of the subcommittee, will be in New York for a week yet trying the impeachment case of Snowden Marshall, in the Buchanan conspiracy case.

Walter Fisher, who is retained by the cattlemen to handle the hearing for them is busy before the Agricultural Committee in the sisal case, in which he represents the International Harvester Co., is meeting the opposition of the Continental National Bank, who helped finance the Independent Sisal Co., represented by Sol. Wexler, of New Orleans.

Of course this shows the interlocking financial interests.

It was Mr. Fisher who said that he had not heard from the cattlemen, but would see to it that we had a chance to agree on dates, methods, etc.

Secretary Tomlinson, of the American National Livestock Association, told me that they would not want a hearing until after the 24th—that is, after the Houston convention.

Under these circumstances, I think there is no likelihood of anything being done for a month or six weeks yet.

Senator GOODING. Can I ask what bearing this has on the McNary bill?

The CHAIRMAN. Senator, it is the idea of the witness, I presume, that it shows the connection of Mr. Brand with the packers.

Senator GOODING. Mr. Brand has not yet testified before this committee, has he?

The CHAIRMAN. He testified before the House committee.

Mr. MARSH. And I shall refer to his statement later.

The CHAIRMAN. I suppose that is the idea. This is a memorandum written by Mr. McManus, who represented the packers, several years ago, when we were investigating the packers here, and this memorandum that he is reading was written by Mr. McManus to Swift & Co. at Chicago for their information. He was Swift & Co.'s representative.

Mr. MARSH. I continue reading the letter as to how to kill the Borland resolution for investigation of the meat packers:

There are three steps open—

First. To see if the Borland resolution would not be made to die in committee.

Second. To see if the Trade Commission would not take over the subject matter of the Borland resolution of its own initiative, or without a hearing reference.

Third. That the cattle men go along with Borland.

Whichever of the three courses we select, I favor having the Bureau of Markets of the Department of Agriculture, Mr. Brand, chief, start the compilation and regular publication of certain agreed data with a sufficient spread for average, and with a sufficient allowance for error, so as to prove conclusively that at no time over any period long enough to be reliable does the profit of the packer on beef vary more than, say, 25 cents per head, further elaborating the theory that I announced at Wichita that the beef market fixes the cattle market immediately, necessarily and automatically, and that the packer is in fact not of himself a controlling factor on the market.

Shall I take time to read the whole letter?

The CHAIRMAN. Read only those parts that refer to what you want to bring out here.

Mr. MARSH (reading):

I have told Mr. Brand that the packer simply reflects the beef market when he buys cattle; that he is buying each day cattle to replace beef sold that day and that any germane figures over an average period would show that the packer's services are very like those of a post office in effect.

I told Brand I wanted him to start the development of "Brand's automatic best seller" for livestock men, and when this weekly publication has been published for a period and had gained the respect and confidence of shippers, commission men and livestock, every traveling man would make a big talk of what he knew the other man would pick up this bulletin and see "What Brand says." I told him I wanted this packer talk taken out of livestock discussions and it would only be done by governmental publication based on governmental assertion, and that the figures would prove certain things within certain given limitations.

I told Brand I believed he could in two or three weeks or a month satisfy himself as to what figures would be necessary for this purpose. He could arrange to take them himself from original sources, and I would favor a weekly publication with monthly summary.

Now, that is the substance of it. In other words, Mr. Brand was to cook up the deal against the people and for the great meat packers.

Senator RALSTON. What is his attitude now?

Mr. MARSH. Mr. Brand thinks that this bill introduced by Senator McNary, which I have just started to analyze, is a wonderful thing, and I am going through it in detail, but I just wanted to spend a little bit of time in explaining the actions of the representative of the Secretary of Agriculture.

Senator GOODING. I think the Senator from Indiana probably knows who Mr. Brand is.

Senator RALSTON. No; I do not.

Senator GOODING. He is representing the Secretary of Agriculture.

The CHAIRMAN. I understand Mr. Brand is one of the authors of this bill.

Senator GOODING. He is in the employ of the Agriculture Department?

The CHAIRMAN. Yes; he is in the employ of the Agriculture Department now.

Mr. MARSH. He dropped out for a while, after rendering this service to the meat packers, and went into the pay of a subsidiary of the meat packers, the United Fruit Packers, and for some reason he is back with the Secretary of Agriculture. The Secretary of Agriculture was good enough to let me see a year ago some movies

which Mr. Brand prepared to increase consumption of the meat packers' products over in England, while he was working on the pay roll of the of the United States Government.

Then this commission is to be made up of the Secretary of Commerce, acting as vice-chairman, the Secretary of the Treasury, who is taking a leading part in deflating the farmers of the Nation, the chairman of the United States Tariff Commission, the three directors of the Agricultural Export Corporation created by title 2 of this act, and referred to later; an administrative commissioner to be appointed by the president, by and with the advice and consent of the Senate, from not less than three individuals recommended to the President by the Secretary of Agriculture.

He does not propose to let this get out of hand.

Of course I appreciate the sympathy which Mr. Wallace has for all the speculators in farm products. He does not want to give them a scare. He says, in effect "Now, if we do anything, it is just going to be temporary." Mr. Brand says we are not going to upset this splendid system by which we market products.

It is a splendid system, Mr. Chairman. The joint congressional agricultural commission of inquiry reported two charts showing the distribution of agricultural profits, as an illustration of where the profits came in agriculture, and here is another one that is not to be disturbed. Here is the system of distribution of wheat and wheat products. Now, Senators, when I was a child I remember reading about a labyrinth and the Minataur that killed everybody who ventured in it. Mr. Wallace wants to retain this wonderful system and the Minataur in there is the speculator in farm products, who involves both producer and consumer, and this bill is to reassure these speculators that no harm is intended for them.

Senator LADD. Which bill is that?

Mr. MARSH. The McNary bill, creating a temporary commission.

Of course I am not a lawyer and do not understand these things very well, but I think some of them are apparent.

Senator RALSTON. Mr. Chairman, I have been interested in many of these matters, and I want it understood that so far as I am concerned I am very slow to fall in and question the good faith of a public official who is serving the people under oath. If I have to, I will.

I can not appreciate your testimony. Do I understand you to want to leave the impression with this committee that Mr. Wallace is not heartily wanting to do the best thing that can be done for the farmers in this country? That is a pointed question, but I want to know about that.

Mr. MARSH. I am glad you raised the point. I will say that Secretary Wallace is one of the worst enemies of the farmers in the United States. He has persistently fought every important measure to relieve the farmer. He has played with the big interests. He has turned the administration of the packers and stockyards act over to the men whom he was supposed to supervise, notably in the case of the South St. Paul Livestock Commission Exchange. He has refused, although repeatedly requested and though empowered by the act, to compel the packers to put in a uniform system of accounting, and the packers to-day run that administration. I don't think I can make any more serious charge against the Secretary of Agriculture.

Senator RALSTON. That is more than enough.

Mr. MARSH. And I say that he should be investigated by the Congress of the United States and removed.

I will go back to a consideration of the bill.

I am sorry Senator McNary is not here, but the chairman of this committee will remember the episode in 1921, when the chairman of this committee, one of the very best friends the farmers of the Nation have, although he is not a dirt farmer, he has the farmer viewpoint, that is, the human viewpoint, introduced a bill providing for a farm products export corporation. Secretary Wallace was opposed to it at that time, and the bankruptcy of agriculture has led him to make some concessions, but at that time he opposed the export corporation bill, which is substantially the only basic feature of this McNary bill.

But, at the time your bill was under consideration, Mr. Chairman, you will recall, as I believe, you said on the floor of the Senate that somewhere in the White House, between the cellar and the garret—not, of course, testifying where—there was hatched a plot to kill that bill. You will remember that at the time Frank B. Kellogg introduced a bill to revive the War Finance Corporation for the purpose of defeating your bill, and he has since been relegated to the Court of St. James; but he got very cold feet at that time, and he dropped out and Senator McNary, by some unfortunate accident, took up that bill to kill your bill, that is, through the revival of the War Finance Corporation, and he saved the bankers but sent the farmers of the country where we all hope not to go after death. Senator McNary has done wonderful service. I wish he were here.

Senator GOODING. If you are going to criticise him I think we ought to call him.

Mr. MARSH. I am going to criticise him, as I think I have in other places; that is, his conduct, but not personally, you understand.

I will go ahead now with the analysis of this bill, line by line and section by section, apologizing again for not being a lawyer.

(c) The commission shall continue in existence until the termination of the general emergency, as ascertained and proclaimed by the President under section 21, but in no event for more than 10 years from the June 30 next following the passage of this act, except that the commission may remain in existence for such additional period as the President shall by Executive order designate, for the purpose of adjusting, settling, and winding up its affairs.

I am glad, Senator McNary, that you have come in.

One of the surest ways to get maladministration of any governmental undertaking is to let the public know, or the concerns which the Government is superseding in its activity, that it is only temporary. They at once say, "All right; we will make a farce of this if we can."

You are aware that during the period of Federal control of the railroads during the war the Wall Street crowd stayed in there and with utter disloyalty and dishonorable activities attempted to discredit the Government operation in order to prevent Government ownership. That is the record. The McNary bill notifies the gamblers in farm products that the proposal to rescue the farmers from their talons is temporary and only an emergency proposition. It invites their best efforts, and they are considerable, to make the administration of this bill a failure.

The Norris-Sinclair bill goes right in and recognized, Mr. Chairman, that you have got to have the Government handle staple farm products.

I will not take up every detail of this bill, but here is what the commission shall do:

Shall maintain its principal office in the District of Columbia.
Shall have an official seal which shall be judicially noticed.
Shall make an annual report to the Congress.
May make such regulations as are necessary to execute the functions vested in it by this act.

Then sub-section (e) of Section V:

May accept the services of any person without compensation.

Of course, you can not do that under the law. We have got to come back to what is involved in our dear old idea of the dollar a year man who made such enormous profits during the war.

Then comes the striking admission as to the general emergency, and, Mr. Chairman, before I go further, since Senator McNary is here, I want to tell him I have been criticizing his introduction of the bill reviving the War Finance Corporation, which was intended to kill the Norris farm products export corporation bill of 1921, which, of course, Senator Kellogg dropped.

It is hereby declared that there exists a general emergency in respect of agricultural commodities by reason of, and so forth.

I will not read all of this, but it says, in subsection 5 of section 25:

The dependence of the prices of such surplus commodities upon the lower prices in foreign markets, due to unsettled world conditions and lower costs of production.

Now, the President, it says, "may upon recommendation of the commission by proclamation terminate the emergency declared by this section whenever the commission determines that the emergency conditions are no longer controlling," and again it repeats, "but in no event shall such emergency be held to exist later than 10 years from the June 30 next following the date of passage of this act."

Now, I am inclined to think for the next year or so the President will be sufficiently engrossed in explaining the Teapot Dome scandal that he will not be prepared to say that any emergency in agriculture has ceased, but we can not take such chances.

Senator GOODING. How do you mean he will be too busy? What did President Coolidge have to do with the Teapot Dome?

Mr. MARSH. I imagine that the putative or probable candidate of a great party for the Presidency is apt to have to do some explaining about the actions of his party.

If the commission finds that (1) there is a surplus for export of wheat, flour, corn, raw cotton, wool, cattle, sheep, swine, or any food product of cattle, sheep, swine, and that the domestic price thereof is determined by the world price—

And just before that, in subsection 5, it refers to the dependence of the price of such surplus commodity upon the lower prices in foreign markets, and right following that it says that if it finds that what it said is true they will do so and so.

Senator RALSTON. Mr. Chairman, this need not go on the record, but I would like to ask for information.

(Discussion off the record.)

Senator GOODING. The witness makes a direct attack on the integrity and the honesty of the Secretary of Agriculture, which I think is clearly out of place before this committee.

Senator HEFLIN. I don't see that.

Senator GOODING. We can not meet here and deliberate on these questions with an open mind if we have to listen to such stuff as that, because it is clearly out of place, in my mind, and it is no part of this record at all. The Secretary of Agriculture is not a stranger to us. We have our own opinions of him.

Mr. MARSH. I want, for the record, to make it very clear, and I hope you will allow this to remain, with your permission, that I do not pretend to represent all of the farmers of the Nation. I do know that the farmers of the Nation are utterly disgusted with the administration of the Department of Agriculture by Mr. Wallace. I have stated to you that they want an investigation of that whole department, which is going to be forthcoming within the next few weeks, and I think this is quite germane to this bill under which the Secretary of Agriculture has full control of this vital corporation, will have charge of the shaping of it, the whole purpose of which is to defeat the Norris-Sinclair bill.

Senator JOHNSON. Mr. Chairman, I absolutely oppose any attempt by any one to hamper or control or stop any criticism of the Secretary of Agriculture. He should be criticized, and a committee from my own State told me the other day that he is going to be criticized. I have appeared before the Secretary of Agriculture myself, not only before Wallace, but before Meredith, when we tried to get a modification of the grain grades, and not a thing was done. This committee was down before O. P. Eckles, candidate and will perhaps be elected governor of my State, and by the Republican Party at that, and he said, "I am not going to Secretary Wallace. I am through with him. My case will be put before the Congress of the United States." Now, he was there criticizing him. I, myself, wrote a letter to the Secretary of Agriculture, and to the most important question I asked him, about the investigation he had made of the Chicago Board of Trade, there was no answer forthcoming. He forgot all about it. They are criticized all right, and they are going to be criticized. The trouble is that they have not been criticized enough in the past, but we are going to have them criticized, so we know where we are at.

Senator GOODING. There is a lot of difference, Senator, between criticism and charging a public official with dishonesty, openly.

Senator JOHNSON. Certainly.

Senator GOODING. When you come to criticism, he has a right to criticize, but, of course, he has not a right to charge anything unless he has got something behind it to prove it.

Mr. MARSH. And I won't unless I have something behind it, I assure you.

Senator HEFLIN. The Secretary of Agriculture has the right to come here and make any reply he wants to to Mr. Marsh, and if representatives of farmers' organizations can not tell whether they indorse or do not indorse the administration of any department, we have gone a long way toward suppressing free speech.

The CHAIRMAN. We must not, under any circumstances, prevent criticism of anybody and everybody and every witness has a right to criticize anyone he sees fit, but we must keep it within parliamentary bounds.

Senator RALSTON. I suggest this, Mr. Chairman. Considering the relation in which the Secretary of Agriculture stands to the farming interests of this country, I would suggest that we let go out of this record all reference to the President, and let the other testimony stay in.

Senator JOHNSON. Well, the President can stand a little criticism, too, I guess. I would like to know what he said about the President and members of this committee.

The CHAIRMAN. Let us not have him state it again. Let us let the witness proceed now, and let me say to the witness, We do not want to prevent you from giving any criticism of anybody, either in the Government or out, or on the committee or off. You are perfectly free to criticize——

Senator JOHNSON (interrupting). Mr. Chairman, I have sat here for days and never asked a question, but I am here to ask questions of the witness.

The CHAIRMAN. Senator, won't you let the Chairman finish?

Will you read what I said?

The REPORTER (reading):

> Let us let the witness proceed now, and let me say to the witness we do not want to prevent you from giving any criticism of anybody, either in the Government or out, or on the committee or off. You are perfectly free to criticize——

The CHAIRMAN. But we hope your criticism will be constructive. Tell the facts as you understand them, and let the committee draw its own conclusion. Treat everybody with courtesy.

Senator JOHNSON. Now Mr. Chairman, I want to ask one more question, and then I am through.

Now, so far as you are concerned, I want to know that several times I have been asking the witness questions and you have always got after me. You have not said a word to the others. I am that kind of a man; I ask questions. What is the use to have a man to make a speech for us unless we have a right to ask him questions. That is my way, and that is the reason I have been doing this.

The CHAIRMAN. Now, Senator Johnson, the only time I have interrupted you when you have asked a question (and I have done that with the others just the same, and they have accepted it, but you haven't) has been when you——

Senator JOHNSON (interrupting). I know, but you haven't got after them, but you have got after me.

The CHAIRMAN. I have suggested when some one asked a question that the witness had already gone over before they came in, and I have suggested several time to various members of the committee, that the witness has already gone over that, and that I do not object to his going over it again, if the committee wants him to, but usually if the member has not been here and the witness has gone over it he accepts that, and does not insist on asking the question. They always acquiesce and say if he has gone over that they do not want to go over it again. That is all that has happened to you.

Senator JOHNSON. I have asked this. I don't want him to go over it again. I just want him in a few words to state what he said. Probably it would not take 20 words to say it.

The CHAIRMAN. The question that you have asked, Senator Johnson, whenever I have interfered (and I deem it my duty as chairman to try to keep the investigation in such a line that we will not be going over and over the same thing all the time) would mean that we would have to——

Senator JOHNSON (interrupting). I know. I have been sitting on committees for years myself.

The CHAIRMAN. You have always asked about something that happened when you were not here. You have asked a question which, if it was answered, would mean going all over it again, and if we did that every time a Senator comes in the committee who has not heard what the witness has said we would be going over and over and over the same thing and would never get through with the hearings.

Senator JOHNSON. That is not it, Mr. Chairman.

The CHAIRMAN. The record will show. That is the only time you have been interrupted.

Senator JOHNSON. I have been keeping track of these things, Mr. Chairman.

The CHAIRMAN. You have not been here to keep track. If you had been here, you would not have asked the question, but you come in after the witness has gone over something, and you want him to go over it again. If the committee wants him to do it, I can stay here as long as anybody.

Senator JOHNSON. I said I don't want him to go back and rehash the whole thing. I just want to know what he said about the President and the members of this committee.

The CHAIRMAN. That means he will have to go over it again. You don't want him to do it, but you ask him to do it. Go ahead.

Mr. MARSH. Mr. Chairman, I want to say that I have endeavored not to be personal, but the chairman realizes the administration of the act depends largely upon those in charge of its administration. I have tried to keep within the proprieties, and regret if I have in any way strayed from that effort; but I am rather willing to let my own record stand as to the gentlemen to whom I have referred, as I am sure the present chairman and other members of the committee are anxious to hear comments, if they can, on this bill, and a discussion of the respects in which it differs fundamentally from the Norris-Sinclair Government corporation marketing bill.

This McNary bill attempts to set up a new method of ascertaining what the farmers are to be paid for their products. I am going to read and ask for a statement from the introducer of the bill, if Senator McNary will be courteous enough to give it to me, as to what the real significance is of subsections 1 and 2 of section 24, on page 8, which reads as follows:

> The ratio price of such basic agricultural commodity for any month shall bear the same relation to the current all-commodities price in effect for such month as—
>
> (2) The pre-war basic-commodity price thereof for the corresponding month bears to the pre-war all-commodities price in effect for such month.

Does that mean that at the primary market the farmer is to be paid a price by this export corporation for his farm products which is to put him as nearly as possible in the position he was in before the war, when he was going broke, or is it to be paid to him on the farm, or what is the intention?

They refer also, beginning at line 14 of this same page:

> In computing such pre-war all-commodities prices the Secretary of Labor shall use the prices selected and the weights applies as the basis for computing, for all commodities for such years, the index numbers shown on page 9 of bulletin No. 335 of the Bureau of Labor Statistics.

And here is said bulletin, gentlemen, on page 9 of Bulletin 335, Wholesale Prices, Table 5, index numbers, wholesale prices by groups of commodities. (Base: Estimated value in 1913 equals 100.) (For explanation of method used in computing these index numbers, see pp. 3 and 4.) And I read pages 3 and 4, and I admit that it looks to me a little like differential calculus, and fourth dimension mathematics, which makes Einstein's theory of relativity so simple that a child of 6 can take hold of it and make it sound as simple as A B C. Why don't you come out and say the farmers are going to get the cost of production plus a reasonable profit as the Norris-Sinclair bill proposes? Why beat around the bush. Tell Mr. Farmer you are going to put him on the same basis as other business and industry. Did you ever hear the Steel Corporation say: "The ratio price for any month shall bear the same relation to the current all-commodities price in effect for such month as the pre-war basic-commodity price of steel for the corresponding month bears to the pre-war all-commodities price in effect for such month?" Do the coal people do that? Do they deal in syllogisms or mathematical formula which an expert can not understand? I am not an expert. I got a scholarship degree in college and all that, but I don't know why we should get away from cost of production plus a reasonable profit, except this, gentlemen, and will you pardon me for giving more references, Senator Ralston, and I think I ought to. The Secretary of Agriculture, and every Secretary of Agriculture, with one or two exceptions, has objected to the farmers knowing the cost of production. The Standard Oil Co. put a man in the Department of Agriculture—and this is all a matter of record—the Standard Oil Co. put a man in the Department of Agriculture, through the General Education Board, Dr. Thomas N. Carver, to try to stop this folly of the farmers in ascertaining cost of production? Why should the farmer know cost of production? It is not his to reason why, but to produce and die. Doctor Carver, when this General Education Board attempted to tell him what he could investigate and what he could not, resigned. Dr. W. J. Spillman, as you, Mr. Chairman, will remember, was forced out of the Department of Agriculture years ago because he tried to help the farmers ascertain the cost of production, so that they would know what it cost them to produce, and what they were entitled to, and then demand their reasonable profit.

Now, Mr. Chairman, I do find one explanation of this very complicated method of getting at something, and that is this. The Secretary of Agriculture, so I am informed, says that they have not adequate data of any sort to give the cost of production. Well, then, may I be permitted in this friendly atmosphere to suggest, what has the Secretary of Agriculture done with hundreds of thousands of dollars he has spent to find out the cost of production? Why is

he suggesting a roundabout method except to escape the responsibility for either malfeasance or inefficiency in office; and is there any member of this committee who is going to arise and say, "Brother Farmer," well, how many of you can say "Brother Farmer," but "Mr. Farmer," we will say, since some of you can not say "Brother Farmer," some of you are equally friendly to the farmer, but you can say "Mr. Farmer," because you are just as friendly as any farmer member. "Mr. Farmer, you are not to be put on a basis of cost of production plus a reasonable profit." I challenge the Secretary of Agriculture or Mr. Charles H. Brand on the part of the Secretary of Agriculture's administration of the Department of Agriculture, to cite one business industry, one big business combination which would attempt to set its price on the basis set forth in this bill. Why not come right out? We can not get the exact cost of production, Mr. Chairman, and we have never asked that the highest cost of production be paid. I would be unworthy and I would be fired by the farmers I am trying to represent if I did not make a protest against this effort on the part of the Secretary of Agriculture to get away from the very thing that the farmers of this country have got to have, cost of production plus a reasonable profit, and I would like to see that principle made a little stronger in your bill (the Norris-Sinclair bill) than it is now. I trust that this may be allowed to stand in the record.

Then we go on to something else.

"The Secretary of Labor"—we have been paying the Secretary of Agriculture to find out the cost of production, but he drags in the Secretary of Labor—"shall compute 12 average prices."

The American Wheat Growers Associated have been good enough to give me some data which they have prepared as to what the price of wheat would be, spring, Minneapolis, on the basis of this scheme of ascertaining what should be paid the farmer, provided for in this bill of Senator McNary's. I think, if I may, I will call it the Secretary of Agriculture's bill, since he appeared in favor of it through Mr. Brand.

I confess, gentlemen, that I am a little bit at a loss to know just what this proposition is. I don't know whether the chairman has grasped this mathematical statement. I have studied it carefully. It gave me the nightmare for two nights since I looked at it, but apparently in 1922 the calculated price for wheat would have been an average of $1.60 per bushel for the year. Now, where is that price paid? Is it paid at the primary market, and is the farmer to deduct 25, 35, or 40 cents therefrom for freight? I don't know. It seems to me that the bill should very specifically state the principle, not the figure, but the principle that the farmer on the farm should get cost of production. There is no other safe principle with which to deal.

Now, then, let me go to page 10, section 25 (a):

The commission shall determine the probable export surplus of basic agricultural commodities, considering in such determination in respect of any such commodity probable and previous domestic consumption, present reserves, carry over, probable and previous exports and imports, and estimated current production. Upon the basis of any such determination the commission, whenever a ratio price is established in respect of any basic agricultural commodity, shall recommend to the corporation (1) the estimated amount of any such commodity to be purchased for the purposes of this act for the remainder of the current year and (2) the amount to be purchased during each month, and so on.

Now, then, the job is over, as I understand it, when this corporation does that, except here in section (c) of paragraph 25, page 11, it says:

Whenever the commission deems it advisable it shall direct the corporation to sell in the domestic market, at not less than the ratio price, such quantities of the commodity in its custody as the commission may designate.

In other words, this bill specifically says to the wheat gamblers, "Boys, don't worry, we are not going to touch you," and, Mr. Chairman, Mr. Brand just on Monday of this week, before the House Committee on Agriculture, before he started on his western trip, said he had conferred with the handlers of wheat in Chicago and most of them were friendly to this bill. Well, why shouldn't they be? It leaves them just where they are, bleeding the public, bleeding the farmers, bleeding the consumers, and only in an emergency, which the President may terminate, may I be permitted to say possibly under political exigencies, if that is not lese majesty, and God knows I don't want to indulge in that, but only under such circumstances where the President is willing to say that a terrible emergency in agriculture. Did we not beg and implore him and did I Mr. Chairman and gentlemen of the committee, when I call your attention, with all humility, such as is becoming, that the President of the United States has not yet discovered that there is an emergency in agriculture? Did we not beg and implore him and did I not wire him from the coast and over the country, "Please call a special session of Congress to do something," and he would not call Congress.

It is only now, may I say, then, that with the approach of a national election, the discovery has percolated into the official consciousness that there is an emergency in agriculture.

Mr. Chairman, mark my words. I, on behalf of the farmers I represent, and their friends, have been trying to back you in your efforts to get some real relief for the agricultural emergency which has existed, Mr. Chairman, for the last three and a half or four years in this country. I want to tell you frankly you have either got to declare a moratorium for farmers within the next 60 days or get something like the Norris-Sinclair bill passed, or have infinitely more failures than you have to-day. The farmers, I will tell you very frankly, if I understand their attitude—and I am in fairly close touch with them, are not proposing to accept any substitute for real relief for agriculture.

The capital stock of the corporation is very low.

The capital stock of the corporation shall be $200,000,000, and all of such amount is hereby subscribed by the United States.

There is hereby authorized to be appropriated the sum of $200,000,000 or so much thereof as may be necessary for the purpose of purchasing stock of the corporation in accordance with the provisions of subdivision (a).

Those are the main features of the bill, in my judgment. But now coming to the administration as it appears on page 18, section 232:

The corporation is authorized—

(a) To acquire, construct, maintain, and dispose of or acquire the rights of operation of (1) storage warehouses for basic agricultural commodities—

Elevators are not mentioned there. They may be involved, and probably are—

(2) Facilities for transportation (otherwise than as a common carrier) in connection with the storage of such commodities, except that no such facilities shall be acquired by purchase or construction without the approval of the commission, and (3) facilities for processing such commodities.

Note you that they are limited to acquiring the rights of operation. They can not operate. As you recall, Mr. Chairman, your bill is very specific and definite, that the corporation—and I am going to quote verbatim from section 9 of the Norris-Sinclair bill:

SEC. 9. That the corporation shall be empowered and authorized (1) to build, buy, lease, and operate elevators and storage warehouses; (2) to buy agricultural products from any person within the United States, and to sell such products to any person within the United States, and to any person or to any government, or subdivision of government without the United States; (3) to act as agent of any person producing or dealing in agricultural products, either in their natural or prepared state, within the United States, in the sale of such products either within or without the United States; and (4) to make advances for the purpose of assisting any person in financing the sale, or exportation and sale, of such agricultural products, but in no case shall any of the money so advanced be expended without the United States. Every such advance, and any sale of such products made on time, shall be secured by adequate security of such character as shall be prescribed by the board of directors. It is hereby declared to be the object and purpose of this act to provide a market for the sale of agricultural products, and to eliminate as far as possible the commissions and charges that are exacted upon agricultural products from the time such products leave the producer until the same reach the consumer, and to thereby increase the price which the producer receives and decrease the price which the consumer pays.

The CHAIRMAN. Now, Mr. Marsh, while I think that provision you have just read is very important, I think that power ought to be conferred, and that is the reason I put it in the bill. Whether it is ever utilized or not, the power to do it ought to exist. In other words, that corporation ought to be made, as far as we can do so, to have all the powers that an individual would have, and it ought not to be curtailed. I don't anticipate they would always use them all. The fact that they can use them would sometimes make it unnecessary to use them. They ought to have that power. I am not apologizing for that language. I believe in it most ardently. At the same time I realize the very language you have read has made a good many opponents to that bill, and I am not charging but what they are just as conscientious as I am. I know there are members of this committee who refuse to support the bill mainly on that ground—that is, because of the language contained in it that you have just read there—and there are other members of the Senate who will fight it bitterly because of that language. That is one of the seasons for their opposition. The McNary bill does not have all that. I think we must face the proposition as it exists. What I believe we ought to have it may be that a good many honest and conscientious fellows, just as honest and just as conscientious as we are, are opposed to, and for that reason, and while I regret it, that very language is one of the stumbling blocks.

Senator RALSTON. Do you refer to what is on pages 18 and 19?

The CHAIRMAN. No; I am referring to my bill, the language that Mr. Marsh has just quoted, giving to the corporation set up there the power to build and operate warehouses. I think any corporation handling the farmers' product ought to have that right, and

they will never be able to do it right until they do have that right. But that has incurred and will always incur very bitter opposition from people who want to keep the Government out of just as much business as they can possibly keep it out of. I don't agree with them at all, but they are honest in it. At least a great many of them are.

Senator RALSTON. If we don't give them power to function, Mr. Chairman, there is no use giving them any power.

The CHAIRMAN. It rather looks that way to me, but still it has always seemed to me if we can not get all we think we ought to have, it is better to have half a loaf than no bread.

Mr. MARSH. Mr. Chairman, I want to say that in the off-election year we have to take a half loaf, but in this election year it seems almost providential dispensation that we should demand and have a pretty good chance of getting a whole loaf.

The CHAIRMAN. I would like to get a whole loaf myself.

Mr. MARSH. Nobody has worked harder to get the farmers a whole loaf, we are satisfied, than you have.

The CHAIRMAN. I appreciate you saying that, Mr. Marsh, but at the same time, while there are special interests who have self-interest, like the middlemen, and so forth, who oppose it for purely selfish reasons, there are many other people just as honest as we are, just as conscientious as we are, who think we are going too far, and we should not do this, and I think we have to face that proposition, because I believe it is true.

Senator RALSTON. Why do they think it is going too far, Mr. Chairman?

The CHAIRMAN. It is putting the Government, they say, right completely into business. You know that argument does not appeal to me, Senator. I am not offering that as my belief at all. I remember a speech made in the Senate against a bill of this kind in which that expression was used by Senator Watson, now dead, a man for whom I have the greatest respect, who had been fighting all his life, I believe, for what he believed to be the common people, and yet he was opposed to that bill very bitterly. He denounced it in the severest kind of terms. I never questioned his honesty or his conscientiousness. He was anxious to do what he thought was right, and he did not think that was the way to do it. That has been the trouble and the cause of our inability to get legislation—we are not agreed amongst ourselves.

Mr. MARSH. Mr. Chairman, of course it will be incumbent on this committee to decide what sort of a bill it will report out. May I call to your attention that the Conference for Progressive Political Action, the most militant political body in the United States, without exception, has endorsed your bill? It was a pleasure a week ago last Monday night, down at the National Hotel, to hear our friend Senator Capper state that he would support your bill. We are gaining converts day by day. We would like a record vote and are sure it would carry. Nobody and in particular no farmer has a fight with and Senator or Congressman who says, "I don't believe in this thing." They say, "We want it. If you don't believe in it, resign and let us elect some one who will represent us here. You can carry out our principles at home, but carry out the principles of representative government in Congress."

Of course that is what democracy stands for. It means accord with public opinion. We hope this will come to a record vote on this bill of yours, strengthened in some respects.

May I go with one or two other provisions of this proposal of the Secretary of Agriculture?

In the first place, if I understand it—and I am not sure that I do—but as I understand, from reading this bill, whoever buys farm products has got to be prepared to buy scrip. Here is what it says in section 303 (a), page 24:

Payment and collection of the fee.

After describing the equalization fee—

Whenever a special emergency in respect of any agricultural commodity has been ascertained and proclaimed, and until the termination of such emergency, under Section 22, the equalization fee shall be paid and collected upon every sale of such commodity by or on account of the producer thereof.

(b) It shall be the duty of every purchaser of any such commodity to tender, and of every producer (or the person making the sale on his account) to accept, as a part of the purchase price an amount of scrip, prepared and offered for sale as provided in section 304, equal to the total equalization fee to be paid upon such sale. If any such purchaser fails to make such tender, it shall be the duty of such producer or person to demand such scrip. Such scrip shall be evidence of a beneficial interest in the equalization fund for the community, and the holder shall be entitled to the dividends declared thereupon as provided in section 305.

Then look at the penalties:

(c) Any person who fails or refused to tender or accept or demand scrip in violation of subdivision (c) shall be liable for the equalization fee and to a penalty equal to one-half the amount of such fee. Such fee and penalty may be recovered together in a civil suit brought by the corporation and shall be covered into the proper equalization fund of the corporation.

From Mr. Brand's explanation of this bill before the House Committee on Agriculture I understand that means—and I want to be corrected if I am in error, but you, being lawyers, can interpret just what this bill means—that whenever a man sells, a farmer sells, any wheat he has got to get in on this Government proposition. In other words, the Government has got to be interested in every sale of wheat if an emergency is declared, or raw cotton or wool or anything else, and the whole purpose is to put back any loss which may be incurred upon the farmer.

Now, gentlemen, this means the establishing of a bureaucracy compared with which the kaiserism before the war was child's play, in my judgment.

Under your bill, Senator Norris, you do not compel the farmer to come in if he does not want to. He does not have to sell to the Government corporation. He is free not to do it. Here you necessarily build up a bureaucracy under the charge and control of the Secretary of Agriculture pending, of course, the time that there is an emergency permitted to be declared. You get after the farmer. What do you do with the miller speculator? What do you do with the elevator speculator? What do you do with the gambler and broker and commission man in flour? Nothing. He can continue to trim the consumer all he wants to, whereas your bill specifically says, in the powers conferred upon this corporation, page 5, section 9, line 9, as follows:

It is hereby declared to be the object and purpose of this act to provide a market for the sale of agricultural products, and to eliminate, as far as possible the commissions and charges that are exacted upon agricultural products from the time such products leave the producer until the same reach the consumer, and to thereby increase the price which the producer receives and decrease the price which the consumer pays.

Now, they are to participate in this scrip, and then here is the wonderful thought that the farmers, broke as they are, are to take all the losses in this proposition.

Now, let me go back a little bit. When we had Government control of the railroads during the war, were the railroad magnates, the millionaire stockholders of railroads, to have an equalization fee, and was any loss to be assessed back upon them? Not on your life. By strictly nonpartisan vote they were given the pre-war rental which was declared by Senator Cummins to be no less than scandalous.

We are not asking any special privilege for the farmers, but I want to point out this fact, that the farmers are in desperate straits. I don't know whether there is going to be any loss incurred in marketing farm products or not, but let us see what would happen. The other day Mr. Brand, in advocating this bill, suggested that "suppose we take our wheat crop at 750,000,000 bushels a year and put the domestic consumption at about 600,000,000 bushels." Of course, we have been very much higher than that. We have been way over 700,000,000, or approximately 700,000,000, but he said, "If we consume 600,000,000 bushels, and at a price, we will say, for illustration, of $1.50, then you sell 150,000,000 bushels abroad, and you do not get $1.50 per bushel over there, of course, because you have to meet the world market—and in all probability Russia will be a producer of millions of bushels of wheat for export within the next year or two, then you have got to meet that proposition; but Mr. Brand said: "If you throw that 150,000,000 bushels in the ocean, the farmer would be better off."

Mr. Chairman, I beg leave to submit the farmer would not be better off, because the farmer has had to undergo the cost of producing that 150,000,000 bushels for export as well as the 600,000,000 bushels for domestic consumption. He said it would not amount to a great deal, but it would amount to a great deal. If that 150,000,000 bushels is worth $1.50 in the domestic market, it is worth $225,000,000; 150,000,000 bushels at $1.50 per bushel, as I figure it, and the farmers are out that amount.

Could the Government stand such a loss if it became necessary? Let me give you a few little figures from the latest Government report on statistics of income, first with reference to the 11,609 persons, each of whom had a net income of $50,000 or over in 1921. They had an average income of $94,429 apiece. They paid about $29,000 apiece in normal and surtaxes and had left, after paying the normal and surtaxes, about $65,000 apiece. Instead of taking President Coolidge's idea, pardon me for referring to him again, that the taxes of these rich persons should be cut in half, so that these men with these enormous incomes should have to pay only about $15,000 apiece and leave them $80,000 apiece, we say, let us tax these people more if it is necessary. I don't say that it is going to be necessary.

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Let me give you the incomes of corporations, if you please. I am taking this from the Government statistics, now, in order to point out where we could get some money.

In 1921 the net income of corporations was $4,336,047,000 in round figures, and they paid in taxes all of $701,000,000, leaving them about $3,635,000,000. They paid 16.41 per cent in taxes, of their profits and that is all. If it be necessary, Mr. Chairman, to get the farmer out of the desperate straits in which he is, that the Government should hold the sack, if you please, to put it that way, we are for it. "But," they say, "the manufacturers dump their products across the ocean." Manufacturers do not have any fourth dimension differential calculus mathematics in figuring out the ratio between the cost month by month and the general commodities level. They have price-fixing associations and an operative tariff which enabled them to make a profit in 1921, according to this report of statistics on income of the Internal Revenue Bureau of four and a third billions of dollars, while the farmers, as I demonstrated the other day, ran behind over five billion dollars in 1923.

No one who has not been among the farming districts realizes the difficulties of this situation. You have all of you been out on the farms. Why, when the farmers ask for even half a loaf, hand them a stone, and that is what this proposal is? To the farmer this corporation says, "Heads we win, tails you lose." The farmers take all the losses.

It there is to be a loss, and we have got to meet the possibility—I don't say we ought to keep the present acreage of wheat or cotton. That is a matter to be determined separately. It is aside from this proposition. We don't want to increase the acreage of wheat beyond a reasonable production, but I am going to point out again that this bill of the Secretary of Agriculture proposes to leave the profiteers in charge of the handling and manufacturing of farm products, even when an emergency is declared. Your bill makes possible, not mandatory, but possible upon this Government marketing corporation to control or give publicity as to the speculation in farm products and to reduce profits made by handlers of farm products so as to increase the consumption thereof. Yours has much broader scope than the proposal of Secretary Wallace.

Those are the chief points which I want to make. It seems to me that it would be too bad for the Congress, after all these years, to simply say, "Now, all we can do for you, Mr. Farmer, is to ascertain about how much your loss is going to be." It reminds me of what my grandmother once told me, that "if a man is a Christian any victuals is good enough for him. If he is not a Christian, any victuals is too good for him." You are saying to the farmer, if you are a real farmer a loss is good enough for you; if you are not a real farmer, hard working, a loss is too good for you; you don't even deserve to have a loss.

Now, there have been those who accuse us of playing politics. I don't understand politics at all, but it does seem to me that we have a right to appeal in a nonpartisan way for this proposal of yours. I heard there were some southern Democrats who opposed your bill. I went into those States and explained and talked for it, and the farmers are very much for it, and the laboring forces are for it. I am aware it is not going to be a partisan measure. Some Republicans oppose it. We are in an emergency, and we can not get the farmers out of their emergency if we permit the speculators to remain in control of the handling of farm products, as Secretary Wallace has planned.

I want to say just a word about the Norbeck bill, as it has been suggested as a substitute for both of these bills.

I wrote to the Federal Farm Loan Board to ascertain to what extent that bill, or a bill along the line of the Burtness-Norbeck bill, would relieve the farmers——

Senator RALSTON. Is that the $50,000,000 bill?

Mr. MARSH. Yes; $20,000,000 a year to be appropriated. But we don't want it as a substitute for this marketing bill. Here is a communication that seems to me to be important. It is signed by Mr. M. L. Corey, member of the Farm Loan Board, and reads as follows:

> Governor Cooper has referred to me yours of the 12th instant, inquiring whether the Federal intermediate credit banks may make loans to those going into the dairy business.
>
> Replying to same, will say that, under the terms of the agricultural credits act of 1923 we have authority to make loans for not less than six months nor more than three years, the clear intent being to supplement the loans which naturally fall within the functions of the commercial banks with a system which can take care of the longer term farm paper. Dairy loans are essentially longer term loans, or, if the loan is liquidated from the proceeds of the dairy herd, it will require an average of two years to discharge the indebtedness from such proceeds.
>
> We are encouraging the intermediate credit banks to extend every service they can under the act to the building up of dairy herds, particularly in the one-crop sections of the country. A broader diversification of agriculture in this country is necessary to give the farmer an assured, though perhaps small, return to carry him over the years of short crops or ruinous prices.

Senator LADD. Under the rules that they have had in force, where is the tenant farmer coming in?

Mr. MARSH. I don't think they meet the situation.

Senator LADD. Under the rules that they have in force, where is the man coming in who, if his stock was sold again after he purchased it, would not cripple his business?

Mr. MARSH. I agree with you.

Senator LADD. Give the same study to that that you have to the bill, and I think you will come here with a different viewpoint.

Mr. MARSH. I think you misunderstand me, Senator.

Senator LADD. I wanted to bring it out.

Mr. MARSH. I am glad you did. I was going ahead to say now, if they were able to meet the situation, why didn't they meet it? They didn't meet it.

Senator LADD. They didn't want to meet it.

The CHAIRMAN. I think it is fair to say that the proponents of the Norbeck bill, those who have introduced it and argued for it, admit that what they are trying to reach could not be reached by this intermediate farm-loan proposition.

Mr. MARSH. It is a supplementary measure.

The CHAIRMAN. They are going to loan money to a man to buy a cow, let us say, and take security on the cow. Now, that is not bankable paper. It is a loan that a man loaning money would not want to make, because he assumes this risk; but they feel that since the farmers have everything else mortgaged they cannot diversify, be-

cause they haven't anything to give as security, and the Government ought to take that risk and make that kind of a loan, and that is what this bill provides, as I understand.

Senator LADD. Mr. Chairman, my only object was to call attention to the fact that that letter is not written in harmony with the practice of the same people who wrote it.

Mr. MARSH. We are for the purpose of the Norbeck-Burtness bill as a supplementary measure to the Norris-Sinclair Marketing Corporation bill, not as a substitute therefor.

The CHAIRMAN. I think, Mr. Marsh, it is fair to say that no one has advocated it as a substitute for any of these other bills. They admit it is just an emergency proposition, and it does not take care of the situation except in a very small degree.

Senator LADD. Just in an emergency locality?

The CHAIRMAN. Yes.

Senator RALSTON. Mr. Chairman, in this connection, may I inquire if it is my understanding that if either the Norris bill or the McNary bill is recommended by this committee the other one should not be?

The CHAIRMAN. Well, I think not necessarily, Senator. Probably that would be the practical result. I don't suppose anybody would claim both should be passed.

Senator RALSTON. That is what I mean. That is the way it strikes me, with the limited information I have.

The CHAIRMAN. Yes; I think you are right, although, of course, technically speaking, Congress could pass them both, but I don't think anybody would claim that they ought to pass them both.

Mr. MARSH. Mr. Chairman, would it be presumptuous to suggest that those of us who are cooperating on your bill would, of course, be delighted to see, so far as we are concerned, any measure that would strengthen it, make it stronger, if you would like to have it. What we want is to have a bill to meet the situation. I have criticized the provisions of the other bill in all sincerity, and I hope this committee will report favorably the Norris-Sinclair bill.

Senator RALSTON. I think if a hundredth part of what you have said about the McNary bill is within gunshot of being the truth there would not be much wisdom in bringing in a report on that bill.

Mr. MARSH. I think I ought to be shot at sunrise if I could not get within 1 per cent of the truth.

Senator JOHNSON. You touched upon the Norbeck bill. I want to ask you if you have studied the bill; that is, the administration part of it. Do you like to have employed the county agents, as the Secretary of Agriculture would like to have them, to loan the money to the farmers?

Mr. MARSH. No. I was referring to the principle of making the loans. I agree with you that many of the county agents——

Senator JOHNSON (interposing). I want to ask you what you think about that. Is it good to employ the county agents throughout the country to do it?

Mr. MARSH. No. I think it would be better if we could utilize existing agencies, and I don't believe that any semiofficial Government agency which is so directly connected with a Government subsidized farm organization as the Farm Bureau Federation should be permitted to administer the measure. But I was referring to the matter of making the loans. I don't want to criticize them too much, because perhaps I have done my share of criticizing this morning, but the point you raise I agree with.

Senator JOHNSON. Now, I have another question. Do you think that the town boards would be able to do it?

Mr. MARSH. I did not quite get that question.

Senator JOHNSON. That the Secretary of Agriculture would have to have some assistance in the country.

Mr. MARSH. I am sorry. I did not catch that question.

Senator JOHNSON. The town boards, or supervisors. You know who I mean?

Mr. MARSH. Yes. In the town and county?

Senator JOHNSON. Yes; or the county boards?

Mr. MARSH. I could not make any very valuable suggestion on that, because you people who know more intimately the local method of administration would know how it could best be administered. I think you can establish the principle of cooperative responsibility on the part of the farmers who are getting the loans that would be very helpful. Of course, they have done that marvelously in Denmark, Holland, and Belgium, where they have these little credit unions and practice their own idea that the character of the farmers is the important thing, and operate through them as much as possible.

I forgot to read one thing showing where we could get the money, and may I take one minute to read the returns on the great fortunes? It is interesting.

In 1922 there were 12,203 returns made for resident decedents in the United States. Their total gross estate amounted in round figures to $2,900,000,000, their deductions to $1,312,000,000, their net estate to $1,620,000,000, and out of that $1,621,000,000, nearly, they paid less than $116,000,000 in estate taxes, or an average of only 7.15 per cent, and we could raise six or seven hundred million dollars there if it was necessary, at least that much—$500,000,000 or $600,000,000 there, and, mind you, many of those folks gave away their money, or a good deal of their estate, before they died, to escape the estate tax. So, Mr. Chairman and members of the committee, we are not asking for a bonus for the farmers. We are asking for a measure which will save them from disaster which will be infinitely worse, in my judgment, for the Nation as a whole than for the farmers themselves, and it is a complete disaster for them, and we urge that you will report out the Norris Government marketing corporation bill strengthened as we indicated the other day, if possible, by providing that the cost of production should be ascertained not solely by the Department of Agriculture, but by Government agency, plus the real producers of that crop, and that the Government is to meet at least temporarily any loss; and I want to thank the committee very sincerely for their courtesy in hearing me.

Senator Owen would like to appear on this bill whenever it is convenient for the committee. He could not get here this morning.

Senator SMITH. You mean the present United States Senator?

Mr. MARSH. Yes, sir. He favors the Norris-Sinclair bill.

Senator SMITH. Has he not introduced a bill in the Senate on this marketing proposition?

Mr. MARSH. He has in the past, and he has now, yes, I believe; but he told us he wanted to appear with reference to this measure. He has no pride of authorship. Well, I don't want to speak for him.

The CHAIRMAN. Well, Senator Owen will appear. There will be no hinderance put in anybody's way to appear.

Mr. MARSH. May I say this? I want right now to state that the gentlemen from the Northwestern States who have come here on this McNary-Haugen bill I know, many of them, personally. They are absolutely sincere. They seem a little more perturbed over the hard-heartedness of Congressment and Senators down here, and thought they could not get through anything fundamental, and, of course, we do not take that view of it. They want to get through the most effective thing for the farmers, and so do we. But let me remind you what the five or six million voters or more said at the conference for progressive political action. They don't ask you to do this. They said, "On behalf of the farmers and consumers, we demand the Norris-Sinclair Government marketing corporation," and they are organized to make this demand effective.

I thank you.

The CHAIRMAN. Who is next? Is there any other witness?

Mr. JEWETT. Mr. Chairman, if you have no other witness, I would like to offer a few documents.

The CHAIRMAN. All right; take the witness stand.

FURTHER STATEMENT OF MR. GEORGE C. JEWETT, GENERAL MANAGER AMERICAN WHEAT GROWERS ASSOCIATED, SPOKANE, WASH.

Mr. JEWETT. Mr. Chairman and members of the committee, I want to say, speaking in behalf of the 150,000 to 200,000 farmers in the Northwestern States who are now actively at work in behalf of legislation providing for an export corporation, a corporation along the lines of Senator McNary's bill, that I am sure they welcome constructive criticism, and if there are any points that may be brought out in the process of criticism that will strengthen the bill, make it more effective, I hope the committee, if they believe in it, will so strengthen the bill, and thereby apply them to the bill which they may report out. Our farmers want legislation. I think I can say frankly we are not concerned in record votes. We want a bill that will bring relief, and in proposing it—and I think this applies to the committee—we want it to be such that it is hopeful of enactment into legislation, as that is the only way results in a substantial manner can be secured.

Our farmers feel that in this bill they have a measure that will bring the desired relief and at the same time a measure which can be enacted into law.

I am not going to attempt to take up the points of criticism. I feel the members of this committee are sufficiently able to ascertain what percentage of the criticisms are pertinent and germane to the bill and may be applied as a real, substantial criticism.

The documents I have, Mr. Chairman, are first a resolution by the Tri-State Grain Grower's Convention, of Fargo, N. Dak., indorsing the bill before the committee; a statement by the Governor of Oregon

setting forth his views in favor of the bill, a petition signed by a number of farmers of Valley County, Mont.—

Senator RALSTON. Let me ask you about that. Did the governor study this bill, to your knowledge?

Mr. JEWETT. I think the governor has full knowledge of the bill, yes, sir. The bill was sent out there.

Senator RALSTON. Was it general knowledge, like you get from newspapers, like I would get from fellows who write us in support of propaganda, or has the governor compared this bill with others; has he studied it?

Mr. JEWETT. I will say, Senator, that a rough draft of this bill was sent to Oregon, and it is my understanding that the governor had it in his possession and has gone over the various features of the bill.

Senator GOODING. I think it might be said that in all these wheat growing States, like Oregon, there has been a good deal of consideration given to legislation of some character, Senator, to afford some relief to the farmers. I know the Governor of Oregon has given it very careful consideration.

Mr. JEWETT. I might add, Senator, that this matter has been one, as the Senator has said, that has received the consideration of our farmers for from two to three years. They are not indorsing or proposing measures without a study of the fundamentals, you understand, and the situations that prevail.

Senator RALSTON. Your opinion is that this McNary bill will serve the farmers to a better purpose than the Norris bill?

Mr. JEWETT. I had hoped, Senator, that I might not be obliged to attempt to draw lines between the two bills.

Senator RALSTON. I don't see why any of us should be embarrassed about that, if we have the right motive. We are just trying to get at the high point here.

The CHAIRMAN. No, Mr. Jewett. I hope you will not reserve any criticism of the Norris bill, at least, on my account. I want it criticized. I would like to have it criticized constructively, as I think you would, if you criticized it at all, and I would like to know. I would like to have you answer the question of the Senator from Indiana, if you can.

Mr. JEWETT. We feel, gentlemen, that the Norris-Sinclair bill does not adequately take care of the segregation of the surplus from the domestic. It seems to rest on an understanding that the purchase of a commodity will be on a basis that will permit sale in the markets of the world in such a manner that a loss will not necessarily be sustained. I see nothing in the bill that seems to indicate that there is to be a loss sustained in its operation, in the purchase of the commodity at a price higher than the world price, as is necessary to establish the purchasing power of the farmers' commodity and selling it in the world market in a competititve manner. I see nothing in the bill providing for taking care of that loss excepting as it might be taken care of from Government funds. Our farmers are not asking for a subsidy from Government funds.

Another point——

The CHAIRMAN. Before you take up the other point, let me ask you about that one, Mr. Jewett.

It seems to me in this criticism you have just made you forget what I think is one of the fundamental things running through that bill, that it is going to try to eliminate, by setting up this huge governmental corporation, the profits of middle men, on all kinds of agricultural products, from the time they leave the producer to the time they reach the consumer. Now, just in a broad way, when you see what the consumer pays and what the producer gets, we all admit that there is a big amount added to what the producer gets before it gets to the consumer. It seems to me in making your criticism you have not given consideration to what would happen if we could eliminate these middlemen and their profits that are necessarily added to the product all the way through, that is, in every respect except one, freight charges, in the domestic market. The bill does not attempt to control the railroad situation, but it does attempt to control the freight charges on the ocean.

Mr. JEWETT. In the matter of wheat we have given very careful consideration to what might be done in the way of eliminating so-called middlemen's charges. We are going directly to the foreign millers. Where cooperative marketing exists they go from the farmer direct to the miller, and we go direct to the foreign miller. We are unable to find that there is a further substantial amount that may be saved in merely the elimination of the so-called middlemen's charges. It seems, speaking of wheat, for example, that there is a difference of from 30 to 40 cents a bushel between the available market and what the farmers should receive for the commodity to place him on a fair exchange value basis. I don't believe any machinery can be devised that will absorb that loss excepting through a direct payment from a fund created in some way, either from government funds, or, as the McNary bill provides, from an equalizing fund to be paid by all of the commodity.

Senator RALSTON. What limitations are those?

Mr. JEWETT. The fund is assessed, as I stated the other day, on a basis of a probable estimate of loss that will be sustained.

Senator RALSTON. Who makes that estimate?

Mr. JEWETT. The commission which is set up under the bill.

Senator RALSTON. They take into consideration what facts in making that estimate?

Mr. JEWETT. They take into consideration the productive factors, the probable pre-war ratio price, which can be fairly closely ascertained, and the probable world price which likewise can be fairly closely ascertained.

Senator RALSTON. And then they take into consideration the factor of current expense; for instance, of the facilities necessary to take care of this?

Mr. JEWETT. Yes; the expense would come out of that. We figure it would be a fraction of 1 cent a bushel on wheat. It would be a very inconsiderable sum on account of the volume that would be handled.

Senator RALSTON. To what extent are you contemplating employing personnel to make up the necessary working machine? They will all have to be paid?

Mr. JEWETT. The McNary bill only proposes to handle the surplus, or such additional amount as is necessary to sustain the price at the pre-war ratio basis. That does not necessarily mean an expensive machine to be built up. They would probably have to be employees——

Senator RALSTON. (interposing). It does not necessarily mean that, but these men who make up the items of expense consider the factors of expense, and there is no limitation on their judgment, is there? Is there any limitation on fixing salaries?

Mr. JEWETT. The salaries of the directors are fixed in the bill, Senator. The salaries of the employees are fixed by the directors of the corporation just the same as they are in any of these bills which you have here for consideration, just the same as any big business would fix its employees' salaries.

Senator RALSTON. The president would be regarded as an employee?

Mr. JEWETT. No. The commission and directors of the corporation would handle the employees. The corporation is a business corporation.

Senator MCKINLEY. Is it not true that the corporation would probably select its employees in about the same manner as other corporations select employees, and would pay them on about the same basis?

Mr. JEWETT. Some of the employees would have to come from experienced channels, and the ratio of salaries of employees is pretty well set in the various business activities of the country. For instance, you hire a stenographer experienced in grain—and I can speak with knowledge of this, because I have about seventy-five that I have hired—you would pay from $85 to $120 a month, depending on their experience. Other employees would go along in the same way. We have in our organization about 125 employees. We hire just as cheaply as we can to procure men of the proper caliber. It is fair to assume that this corporation would do things in a businesslike manner.

Senator RALSTON. It is fair to assume that you are right, but now the point I am getting at is this. You take a president. If he gets $100,000 a year, he is likely to employ a stenographer for $85 if he can get her, but that is not the big item. The big item is made up of the salaries of the big men, the head fellows. Now, what I want to know is what limitation is placed upon that in this bill.

Mr. JEWETT. The salaries of the directors, who might be considered the head men of the corporation, are placed at $10,000 a year, and that is based on what other boards are receiving.

Senator RALSTON. That does not get to my question yet. The directors are not the president. The directors only make up a part of the personnel. Suppose they select some big man. What is to prevent them from paying him $50,000?

Mr. JEWETT. It is a question of their good judgment, Senator.

Senator RALSTON. That is what I wanted to know.

The CHAIRMAN. Now, Mr. Jewett, I interrupted you when you were going on to another point.

Mr. JEWETT. One other point in the Norris-Sinclair bill, and I think the witness brought it out, and I am not going to attempt to dodge it—the Norris-Sinclair bill proposes to supplant the whole marketing structure of the land. I don't believe it is possible, gentlemen, to enact that legislation, therefore, as I said before, it is legislation we want, and we want the most we can get and the best we can get, but we don't want it merely for record vote purposes.

The CHAIRMAN. You are not offering that as a criticism of the bill? That is one of the features that, in your mind, would make it impossible to get the bill enacted into law?

Mr. JEWETT. Yes, sir.

The CHAIRMAN. In other words, you think the Members of the House and Senate would not stand for that big a step?

Mr. JEWETT. I don't believe they would.

The CHAIRMAN. Of course, there is great danger of that, I think myself.

Mr. JEWETT. I might make just one other point. There are some strong cooperative institutions among the farmers who are handling their operations on a domestic basis, who would like this bill except that it might supplant their work. That, however, would not be the American Wheat Growers Associated. The American Wheat Growers Associated has no selfishness in its purpose.

The CHAIRMAN. I think you are wrong about that, Mr. Jewett. Fundamentally running through it all is the idea of cooperative organization not only of producers but of consumers as well. I think that would be the result. In fact, that is one of the things I had in the back of my head, the idea that after we enacted it into law and operated for 10 or 12 years, let us say, it would be possible then to amend it and turn it over to these cooperative organizations entirely.

Mr. JEWETT. Of course, that is one thought we have in setting up our bill on the emergency basis, being hopeful that the farmers can so organize that they can take care of themselves at the end of that time. I may be wrong in my point of view, Senator, but I am expressing views that I have heard some cooperatives express. They figure that possibly under the Norris-Sinclair bill the whole marketing machinery is going to be taken over, including the work they are doing. The position of our people is that if there is anyone else who can do the work better, the Government or otherwise, that is what we want. It is the job we want done.

The CHAIRMAN. This corporation would start out, to begin with, to encourage cooperation, because they could not go out individually and buy here and buy there, but they could buy from your organization, for instance, all you had, or act as your agent in handling it. I may, of course, be wrong about that, but there was certainly no idea of discouraging cooperation.

Mr. JEWETT. I am in accord with your thought, Senator, on that point.

I have offered this petition from the farmers of Valley County, Mont., and here is a resolution by the Minnesota Farm Bureau, and here is an editorial of the Fargo Daily Tribune. Is that proper material?

The CHAIRMAN. Yes. Put that in if you want to.

Mr. JEWETT. I thank you very much.

Senator JOHNSON. You mentioned a few minutes ago that 250,000 farmers are behind this bill. Of course, I know that many farmers will be behind this bill and will be for it. There is no question about that. But you realize that that is a pretty broad statement to make at this time, because I myself did not know a thing about the bill until just a few days ago, when Mr. Murphy, of my own State, called my attention to the bill. The Norris-Sinclair bill,

you understand, has been up before the people for some time, and I have discussed it and thousands of others have discussed it. I just want to call your attention to this, you understand. I am here to fairly consider your bill, just the same as the other, but the reason I ask the question is to get at the facts, you understand.

Mr. JEWETT. I am glad the Senator raises the point, and I will explain the basis on which I make my statement .

We have in our organization about 65,000 farmers. There has been formed in the last four months export commission leagues in the States of Oregon, Washington, Idaho, Montana, and I believe, although I am not positive, that there is a league set up in Colorado and in Kansas. Those export commission leagues have locals. They have in each State anywhere from 200 to 300 locals, and an estimate of the membership of these leagues is the basis on which I set up those figures. I don't believe I am exaggerating, Senator.

Senator JOHNSON. Yes; but I want to also inform you that you can not get to the farmer at large as quick as that. I know the farmers, I am one myself. You can not get to it. You get some head man to say they are for it, but they have not had a chance to get to the farmers, and after they do get there I know the farmer does not jump right away, because he is so suspicious about everything now.

Mr. JEWETT. Any number of meetings have been held, Senator, just to give you the information. They call a mass meeting in a town and a man is asked to explain the details of the bill, and then it is left up to that mass meeting for indorsement. Now, I am told—I can only go on the information which has been given to me—that in almost every instance the indorsement has been 100 per cent. I want to say in fairness that that does not necessarily mean that they are opposing the Norris-Sinclair bill, because the Norris-Sinclair bill probably had not been discussed in the meetings. I want to be fair in that matter.

The bill that has been discussed is the McNary bill. In many of the meetings they did know of the Norris-Sinclair bill, and they felt that it did not reach the points which I have referred to in respect to segregating the domestic from the surplus.

Senator GOODING. Is it not a fact, Mr. Jewett, that sentiment has crystalized very rapidly for the McNary bill from the fact that it is felt there is a better opportunity to pass that than any other measure that is before the committee at this time?

Mr. JEWETT. Yes, Senator; I think that is true.

Senator GOODING. I know from my State it was stated by witnesses, the grain growers in my State, that there was opposition to it, evidently in the administration and from the War Finance, men who were sent out over the country by the War Finance, and the people want relief, as you say. They may be in favor of my bill, and if left to a vote they might select it, or the Norris-Sinclair bill, but they do fear that there is not a chance to pass either one of those bills, but there is a possibility of passing this. Is not that responsible for the development of sentiment in favor of this measure, don't you think?

Mr. JEWETT. Yes; there is a lot of that sentiment, Senator; the farmer is so anxious to select something that will bring results and be enacted into legislation.

The CHAIRMAN. Now, Mr. Jewett, I agree with you and Senator Gooding, that that probably accounts for the rapidity with which the sentiment got behind this bill. It means, does it not, that it is understood generally that the so-called McNary bill is the administration bill, and that it will have the assistance of the administration, which means a great deal, of course?

Mr. JEWETT. I think the farmers understand that Secretary Wallace is favorable to the bill. Of course, his reports have been broadcasted throughout the land. To that extent I think they feel it is an administration bill. I am quite sure, however, that they are not attempting to place the President in the matter at this time.

The CHAIRMAN. Oh, well, I suppose if it is Secretary Wallace's bill—without intending any criticism, you are accounting for the rapidity with which there has been such a wonderful sentiment created in favor of this bill—of course if the Secretary of Agriculture was favorable to it, unless the contrary appeared, the presumption would be that that was an administration bill, of course?

Mr. JEWETT. Of course we hope the President is favorable.

The CHAIRMAN. Yes.

Mr. JEWETT. We want the President's support.

The CHAIRMAN. And you have a right to assume he is favorable, I think, from the very fact that the Secretary of Agriculture has put it forward. I think that fact alone would indicate that.

Mr. JEWETT. We hope so.

These resolutions, etc., will be included in the hearings?

The CHAIRMAN. Yes. Just hand them to the reporter.

(The documents referred to are here printed in ful, as follows:)

RESOLUTION PASSED UNANIMOUSLY BY TRISTATE GRAIN GROWERS' CONVENTION AT ITS TWENTY-FIFTH ANNUAL CONVENTION IN FARGO ON JANUARY 17, 1924.

Whereas it is a well-known principle that a tariff can not be completely effective with an unregulated surplus of the commodity involved; and

Whereas such a surplus of wheat exists in this country: Therefore be it *Resolved*, That Congress be urged to pass the bill recently introduced in the United States Senate by Senator McNary, which bill provides for the establishment of a Government export agency along lines recommended by Secretary of Agriculture, Henry C. Wallace, which contemplates relieving the domestic market of the surplus wheat, thus making the tariff effective.

Respectfully submitted.

B. BYRON BOBB,
J. W. MCNARY,
J. DINWOODIE,
Resolutions Committee.

STATE OF OREGON, EXECUTIVE DEPARTMENT,
Salem, January 5, 1924.

To whom it may concern:

This is to certify that I am personally acquainted with Mr. A. H. Lea, manager of the Oregon Cooperative Grain Growers. I have known Mr. Lea personally and intimately for many years.

Mr. Lea is going to Washington to help in the passage of a bill carrying into effect the plan for subsidizing the exportation of American wheat, proposed by the American Wheat Growers Associated. I have personally made a careful examination of this plan, and I give it my full and complete indorsement.

I have been a wheat grower for almost 40 years, and I know that the wheat growers to-day are facing financial ruin unless some plan is adopted enabling them to cooperatively sell their surplus wheat outside of the United States.

On behalf of the thousands of men and women who are giving and have given the labor of their lives to produce one of the principal foodstuffs of the Nation. I ask the Congress of the United States to enact a law whereby the plan of the American wheat growers may be put into actual operation. I am fully convinced that it will solve a most serious and dangerous problem.

I ask all to give Mr. Lea full and considerate attention and support. Every courtesy shown him will be appreciated by myself and the producers of Oregon.

Very truly yours.

WALTER M. PIERCE, *Governor.*

PETITION TO CONGRESS FOR THE CREATION OF AGRICULTURAL EXPORT CORPORATION.

EXPORT COMMISSION LEAGUE OF MONTANA.
Lewiston, Mont.

We, the undersigned citizens of Valley County, Mont., do herewith petition the Congress of the United States to speedily enact such legislation as will enable the creation of an agricultural export corporation to handle farm commodities that must of necessity find a market abroad. Further, since it is apparent that the only means by which a prosperous condition can be brought about in agricultural industries necessary to restore the purchasing power of the farmer's dollar to that which it held previous to the war, and to that of industry and labor, we ask immediate remedial legislation be passed.

H. R. Bjorhlund, farmer, Nashua; Geo. Ulmer, farmer, Nashua; Adolph Nyhetten, farmer, Nashua; Herman Hirchert, farmer, Nashua; Z. O. Manning, farmer, Nashua; Wm. Kummerfeld, farmer, Nashua; Elmer Moling, farmer Saco.

ASK HIGHER WHEAT TARIFF.

Whereas the underlying cause of the disparity between the price of those things the farmer must buy to sustain himself and his family, and the price he receives for the products of his farm, is the high tariff protection of products other than agriculture as against practically no similar protection for the products of the farm, placing these commodities on an open competitive world market; and

Whereas this applies particularly to wheat, witness the fact that millions of bushels of Canadian wheat are imported into the country annually, which wheat enters into direct competition with wheat of like quality in this country; and

Whereas, due to lower cost of production, lower freight rates, lower land values, lower taxes, as well as differentials in grade values and money exchange, American millers can buy Canadian wheat cheaper than American wheat, even though the duty of 30 cents per bushel is paid: Therefore be it

Resolved, That Congress be urged to increase the duty on wheat from 30 to 60 cents per bushel, and to repeal the drawback and milling in bond provisions of the Fordney-McCumber Tariff Act of 1922 in order that the wheat producers in this country can be justly protected from foreign competition.

Whereas it is a well-known principle that a tariff can not be completely effective with an unregulated surplus of the commodity involved, and whereas such a surplus of wheat exists in this country: Therefore be it

Resolved, That Congress be urged to pass the bill recently introduced in the United States Senate by Senator McNary, which bill provides for the establishment of a Government export agency along lines recommended by Secretary of Agriculture Heary C. Wallace, which contemplates relieving the domestic market of the surplus wheat, thus making the tariff effective.

[From Fargo Daily Tribune, January 18, 1924.]

IS THE WHEAT EXPORT PLAN FAIR?

"Government subsidy" is the term applied by opponents of the proposed legislation for the creation of a Federal wheat-export corporation to the plan. The proposal which is sponsored in the principle by Secretary Wallace and

various wheat growers' organizations is merely the tariff principle applied to farm products.

If flaws and unsound principles are a part of the export plan, then the same faults can be found with the tariff provisions as applied to manufactured goods. For years the protective tariff has aided scores of industries in the United States. Used originally to protect so-called baby industries during their period of growth, the high tariffs have been retained long after the babies have developed into very husky and full-grown organizations.

In more than one industry a machine or some other commodity is sold in the United States at a price which will move a maximum amount of goods at a good profit to the industry. The surplus is sold abroad for less than it can be purchased here. The plan is probably fundamentally sound. It allows the manufacturers to decrease their overhead expense because it gives them the opportunity to produce larger quantities of goods. That principle is easy to understand.

But if this kind of Federal aid is good for manufacturing industries, then it is also good as applied to farm products. If it is right in principle as applied to other industries, then it is right when applied to farm products. It allows the application of the idea to the products which the farmer must sell as well as to those which he must buy.

The Government does not enter into the business of selling wheat under the export plan. It places a barrier on imports and creates a means for applying the tariff idea to wheat. Unlike the help which the same idea gives to other industries, the export plan is for a period of emergency only. The tax on the wheat surplus which is exported increases in proportion to the supply which is exported—an aspect of the plan which acts as a check to unlimited production and to complete subsidy.

Hard spring wheat, as a matter of fact, does not enter into the export trade to any appreciable extent. But it is reasonable to expect that if hard winter wheats are exported on this basis, the result will be a larger market for spring wheats.

The export proposition is the same old story. It revolves around a principle. Of all evils in the world nowadays, one of the greatest is the extent to which a great principle is applied to one country, one industry, one class of people, or a few handpicked things, and forgotten or opposed when applied in principle. That is exactly the situation as regards the wheat-export proposals and the wheat tariff. If the idea is unsound and immoral, then it is so in principle and not in case of exceptions. If it is right, then it is right when applied to wheat or steel.

Farmers are now determined that if Federal provisions are to be adopted for aiding industry, that their industry, which is larger and more important than any of the others which are so fortunate in receiving prompt aid, should receive earnest and equal consideration.

RESOLUTION OF MINNESOTA STATE FARM BUREAU.

Be it resolved, That we hereby indorse and recommend proposed national legislation creating an export commission and export corporation to supervise or handle the wheat surplus and the surplus of any other agricultural commodity wherein a surplus is or may be produced in this country thereby resulting in the domestic price thereof being fixed in the world market.

Such relief is to be afforded by the levying of an excise tax on all the wheat or other particular agricultural commodity which is marketed, the fund thus created to be used by the export corporation to pay a bounty or premium on such export wheat or other agricultural commodity over the world's price, thus correspondingly increasing the domestic basic price level.

We recommend that the State Farm Bureau Federation and its officers give this proposed legislation their hearty and earnest support.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow.

(The committee then adjourned to 10 o'clock a. m. Thursday, January 24, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

SATURDAY, JANUARY 26, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 oclock a. m., in room 326, Senate Office Building, Senator George W. Norris, presiding.

Present: Senators Norris (chairman), McNary, Capper, Keyes, Gooding, Ladd, Norbeck, Harreld, McKinley, Smith, Ransdell, Harrison, Heflin, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order. Secretary Wallace is here.

STATEMENT OF HON. HENRY C. WALLACE, SECRETARY OF AGRICULTURE.

The CHAIRMAN. Mr. Secretary, we are considering S. 2012, known as the McNary bill. I understand that your department has had something to do with the drafting of it, etc., and we would like to hear you on it.

Secretary WALLACE. Well, I can tell you very briefly what our department has had to do with this.

This bill is, as I understand it, an effort to put in the form of a bill a general plan which has been suggested from time to time for a year or possibly two years. It has, as I see, been referred to as the Wallace plan. It is not my plan at all, except that I suppose that expression arose from the fact that in my report I referred to this in a way which probably justified people in thinking that I regarded it as the most hopeful of the plans which had been suggested, inasmuch as it is directed to the fundamental difficulty of the farmer, which is low prices.

More than a year ago I called down to my office a group of representative people and asked them to spend a day just studying the principles which had been included in this bill. For instance, I called a representative of the milling interests, a representative of the financial interests, I called General Dawes, who was here at that time as Director of the Budget. I don't remember the names of all of them, but there were some 6 or 8 gentlemen. After going through it very carefully for possibly two days—I am not certain—they reached the conclusion in general not favorable, I think, to the plan, but yet with certain reservations as to whether conditions might not justify undertaking to put some such plan in effect.

At that particular time there was some indication of improvement in agricultural conditions. Prices had increased somewhat. I remember one of them (I think the one representing financial interests) said "Not now, but possibly later, if conditions are not improved."

Well, as you know, conditions, while in some respects they have improved, in other respects have not, and the agricultural situation is bad, especially in the territory west of the Mississippi River. So I thought we should make an investigation of this plan more fully than we had, and I asked the department to just go about and talk with different people whose opinions might be worth something and see what the result would be. That was Mr. Brand, formerly chief of the Bureau of Markets. He did that, and he gave the benefit of his investigations to the people who drew this bill.

Now, that is a brief history of our interest in it. The principle which underlies the whole plan is simply this, that if we can find some way to bring about a fair relationship between the prices of agricultural products and the prices of other things the Government would probably be justified in undertaking to do it. Farm prices, while some of them are higher than before the war, are low in purchasing power. I don't mean the price is low, but the farm products are low in purchasing power. If the general price plane had dropped the farmer would not have been in such bad shape, but the general price plane did not drop. The prices of farm products dropped while prices of other commodities remained high, so we have a disparity, a distorted relationship between the farmer's income and his outgo, and that is causing widespread distress.

In brief, the plan which this bill undertakes to put in concrete form is a plan directed toward trying to reestablish a fair relationship between the prices of the things the farmer sells and prices of the things he buys.

The CHAIRMAN. Will you outline to the committee, Mr. Secretary, just how it does that?

Secretary WALLACE. Well, it speaks for itself. I can not undertake to discuss, Mr. Chairman, the details of the plan, because I have not given the bill the careful study that would qualify me to do that. I am concerned to see whether we could get the thing in sufficiently concrete form for you gentlemen to consider, and, as you know better than I do, probably, the bill provides first for an agricultural export commission, which will determine the general policy with reference to what shall be done. Then it provides an agricultural export corporation which will be charged with the duty of carrying out that general policy as it might be determined by the commission, and it gives wide authority to the corporation—gives authority to do almost anything necessary to accomplish the purpose.

Senator MCKINLEY. Can this export commission sell abroad and make the sale without cash payment? Can it take security in lieu of payment?

Secretary WALLACE. I don't presume so.

Senator MCKINLEY. You said they had extensive authority.

Secretary WALLACE. I meant to carry out the provisions of the bill. For example, as I understand it, this export commission would have authority, in case it desired to exercise it, even to buy and sell agricultural products, but they would have to do it in a business-like way. I don't think it would have authority to extend credits that would not be sound credits.

Senator RALSTON. Mr. Secretary, what would you think of the advisability of this policy: Admitting free of duty any articles for which surplus farm products might be exchanged in foreign markets? Would that enhance the price of the farmers' surplus here?

Secretary WALLACE. Well, I don't know, Senator, what would be the effect of such a measure. You are getting into another field altogether there.

Senator RALSTON. If you were going to bring a thousand dollars' worth of woolen goods into this country from some foreign markets, and you knew that you could bring it in here free of duty, you would be disposed to pay a better price than you otherwise would for your thousand dollars' worth of merchandise, would you not?

Secretary WALLACE. Well, I don't know as to that. I would want to consider what the effect would be on our——

Senator RALSTON. Protected industries?

Secretary WALLACE. Domestic price of wool. You are getting into a tariff discussion there.

Senator RALSTON. I realize that we have got to do something perhaps extreme here to help the farmer, and if it is necessary to take something away from the fellows who have had it for a long while to let the farmers have it a while I am willing to do it.

Secretary WALLACE. I don't believe I care to go into a discussion of the tariff.

Senator RALSTON. Well, then let us go to this section. I will confess I do not understand it. I got up at 1 o'clock last night and read this thing, and I confess I still don't understand it.

Take section 22 (a):

> If the commission finds that (1) there is a surplus for export of wheat, flour, corn, raw cotton, wool, cattle, sheep, swine, or any food product of cattle, sheep, or swine, and that the domestic price thereof is determined by the world price, and (2) according to estimates made by it, the ratio prices, as defined in section 24, in respect of the commodity would be in excess of the domestic price thereof, the commission is authorized to notify the President in writing of its findings. Upon such notification from the commission, the President is authorized by proclamation to declare that a special emergency exists as to such agricultural commodity.

Now, if all those things are found by the commission to be true, why is it left optional for the commission to notify the President? Why would it not be better, if these things are found to be true, to say the commission shall do it; and instead of saying the President is authorized to do so and so, if all these things are found to exist, why would it not be better to say that the President shall proceed by proclamation, etc.? You go to work and find a whole lot of things here in favor of the farmer, and then put it up to some fellows to exercise their discretion as to whether they are going to relieve the farmers at all.

Secretary WALLACE. I don't know any reason why the committee should not make a change in that if they want to.

Senator RALSTON. If we are going to help the farmer, if we find those facts to be true, we don't want to give some officials discretion about it. That is not going to help the farmer.

Secretary WALLACE. I don't know any reason why you gentlemen should not change that if you feel there is some danger there that the commission or the President would not act.

Senator RALSTON. Evidently whoever drew this bill thought the commission ought to have discretion about it, even if it should be found that these conditions exist in favor of the farmers, or else they would not use this language. As I say, I don't understand this bill. As I see it, it would take a Philadelphia lawyer and a staff of mathematicians to figure it out.

Senator JOHNSON. Suppose the President is surrounded by a lot of fellows who will put up the other side, that there is no emergency existing? What will he do then? He will not do it.

Senator NORBECK. We will have a farmer-labor president before that.

Senator JOHNSON. Well, we may not have one that soon, but we can't tell when we will have.

Senator NORBECK. It will come in due time.

Senator MCNARY. Mr. Secretary, when was this plan that is expressed in Senate bill 2012 first brought to your attention?

Secretary WALLACE. I don't believe I can tell you, Senator, but certainly a year, and probably two, and possibly more than two years ago.

Senator MCNARY. What farm organizations or individuals first discussed the idea with you? Do you recall that?

Secretary WALLACE. No; I can not recall that. You know some features of this bill have been discussed since 1920, when we got the first drop in prices. That is, people saw that the trouble was the disparity between the prices of agricultural products and the prices of other things, and thinking men spoke of that and of the need being to bring about a proper relationship, if it could be done, and so I have no doubt that general ideas along this line emanated from many different sources, from individuals and organizations. The idea was expressed in more connected, logical form, I think, by some farm implement men who have suffered directly with the farmers. General Johnson, who was interested in the farm-implement business at Moline, Ill., and who was here during the war, I think on the War Industries Board, gave a great deal of thought to the matter, and associated with him in the farm-implement business was Mr. Peek. General Johnson at least got out a pamphlet in which he discussed this general principle at some length, and very logically. Have you seen that?

Senator MCNARY. No. When was that issued, Mr. Secretary?

Secretary WALLACE. A year or possibly two years ago. I have a copy of it and would be glad to let you have it. They were two of the gentlemen I asked to come here and meet with these other people. I don't think any one individual, or even two, could claim the credit for the general theory that is here advanced.

Senator MCNARY. Is it your opinion that this bill, if enacted into law, will restore the pre-war purchasing power of agricultural products, especially those defined in the bill?

Secretary WALLACE. That is the intent of it. I don't think anyone would undertake to say how it will act. My opinion of the whole matter is that this is the best approach to the solution of this difficulty. Evidently there are innumerable difficulties to be overcome in putting the plan in operation. Anyone can sit down and ask a hundred or a thousand questions that would embarrass the best-informed man to answer, because you can not anticipate them. That same thing applies to almost any bill that is directed toward relief of agriculture—all your other bills here. I don't think anyone can say in advance this will accomplish the purpose. My feeling is that it is the most logical plan that has been presented, directed to the real trouble, and I think the state of agriculture is such, as I said in my report, that this committee and other committees are justified in going into that with extreme care.

Senator RALSTON. Mr. Secretary, I appreciate what you say, how easy it is for anyone, whether they know about a bill or not, to ask questions that would be difficult for the well informed to answer. I have been groping around in this matter the best I can and am strongly disposed to want to follow the judgment of men like yourself; and, if you will pardon me, men like the chairman of this committee, because I personally really do not know what is the best thing to do. I only know that I want to help the farmer if I can.

Have you compared this bill with the Norris bill?

Secretary WALLACE. Yes.

Senator RALSTON. And is it your judgment that of the two bills this is the one that should be enacted, or would you prefer to have both enacted?

Secretary WALLACE. I did make a very hasty comparison between the two, and I don't mind telling you that. I want it understood that I am in exactly the same position you are, Senator. I want to do the thing that will be helpful. I have not any pet plan.

Senator RALSTON. I have no doubt about that.

Secretary WALLACE. The difference between these two bills seems to me to be this:

Both give very sweeping authority to the agency set up in each case to handle agricultural products. For example, under this bill, if it should be determined by the commission and the corporation to be the wise thing to do, I think they could exercise all the authority which is given in the Norris bill, even including the buying and selling of farm products.

This bill provides a capital stock of $200,000,000. The Norris bill provides a capital stock of $100,000,000.

This bill provides that the corporation may buy or arrange for the buying of agricultural products which are selling at an unfair ratio, at a price which has an unfair purchasing power; take them out of the domestic market and sell them on the markets of the world and if, as a result of that, a loss is incurred, recoup the agency for that loss by levying a sale tax upon the entire crop of that year, so that the producers of the crop handled carry the burden of marketing the surplus at a price lower than the domestic price, if that should become necessary.

I don't find in the Norris bill any plan which includes the provision that the corporation may be reimbursed for any losses sus-

tained either by the Government or anyone else, except in so far as it may use its capital stock for that purpose.

Apparently the Norris bill is depending for improvement in conditions upon economies in the actual marketing of the products. It does not address itself to price at all.

Now, I do not know whether the economies effected in the marketing of the product would be a very material factor in price. Conceivably, if you could set up an organization that would reduce the mechanical cost of handling farm products to the farmer, the farmer and consumer together might benefit from whatever saving would be effected by that mechanical handling of the product, but it does not address itself to a saving anywhere else.

Senator OWEN. Mr. Secretary, would not the fact that these products were sold in Europe through one sales agency enable that agency to get a higher price than if they were sold through many agencies competing with each other?

Secretary WALLACE. I don't know that. You take the case of wheat, the price of No. 2 red winter at St. Louis is only 5 per cent above the average for the years 1909 to 1913.

Senator OWEN. What is it, though, in cents?

Secretary WALLACE. 105 on December 29.

Senator OWEN. In purchasing power that would compare with about two-thirds, would it not, before the war?

Secretary WALLACE. Yes, sir; probably more than that.

Senator OWEN. Instead of being 105 it would be about two-thirds of 105?

Secretary WALLACE. Now, evidently we have got a surplus of wheat in foreign markets. If we did not market any of our wheat, if we held off all of our exportable surplus, I don't know whether that would make any material difference in price or not. I don't see what effect it would have on the domestic market, except in so far as our present tariff would help in taking care of our surplus. It would help to that extent. I don't see how its being held by one agency or many agencies would make any difference.

Senator OWEN. One seller would have better control of prices than where there are many sellers.

Secretary WALLACE. That is true, if he occupies a dominant position in the market for the supply of that commodity.

Senator OWEN. That is the policy of the United Metal Sales Co.

Secretary WALLACE. Very likely. I am not saying it would not. I am just saying I can not undertake to express an opinion that would be worth very much.

Senator GOODING. Do you know what is the present spread of wheat as compared with our market in St. Louis and the Liverpool market?

Mr. WALLACE. I can not tell you offhand.

Senator GOODING. I just wanted to know whether you knew what it is generally, that is, outside of freight rates.

Mr. WALLACE. I issued and sent to the President a report on the wheat situation, and I don't know whether you saw it or not, but I think the most of that information is somewhere in the course of that report.

Senator GOODING. Yes; I saw that. My impression is that in wheat there is very little margin, maybe because of the volume of the business transacted, but as I figure there is very little difference between the local market and the Liverpool market, figuring on so small a unit as a bushel.

Senator RALSTON. Have you considered, Mr. Secretary, the cost to the Government in operating this law?

Mr. WALLACE. The bill, as I remember it, provides for a cost of $50,000 to cover all expenses of the commission.

Senator RALSTON. That is, for a cretain period of time.

Mr. WALLACE. Then it is contemplated that in the operations of the export corporation the cost will come out of the crops themselves.

Senator RALSTON. That is what I was leading up to. To what extent have you given any consideration, Mr. Secretary, to the expense, and the effect it will have on the price that the farmer will get for his surplus product?

Mr. WALLACE. If the plan works as those who have advocated it most earnestly believe it will, it will raise the domestic price as high as it can be raised under the tariff.

Senator RALSTON. Under the tariff?

Mr. WALLACE. Yes. If it gets below that, the other goes over, but it will raise it to the full price permitted under the tariff, whatever that may be, whether this present tariff or any other tariff.

I think this plan might be expressed in either one of two ways; that is, the general principle of it. If you owned all of the wheat in the United States and wanted to get the highest possible price in the domestic market, you would probably do just what this plan does, take the surplus and sell it in the world market at world prices, and you would expect by so doing that the domestic price would increase to a point where it would be stopped by the inflow of wheat from other countries. If these farmers of the Nation had a great cooperative organization and all the wheat in the United States were pooled, they would probably try to follow exactly the principle outlined in this bill, so that I think the short way to put it would be that this bill undertakes to provide that the Governmen shall do for the wheat farmers just what they should do for themselves if they could, but which they can not do because of the large number of wheat growers and the many regions in which wheat is grown.

Senator GOODING. Mr. Secretary, do you know how Australia is handling her wheat at the present time?

Mr. WALLACE. At the present time I do not. They have a pool there. I don't know how they handle it.

Senator GOODING. Well, they handle it practically the same. The government has handled all the wheat and fixed the domestic price at home above the world market.

Mr. WALLACE. Doctor Stern can tell you that.

Senator GOODING. Possibly, he had better go on later. I think Australia has been following some such plan.

Mr. WALLACE. I have it in my office. I can tell you later.

Senator OWEN. Is not the price of American wheat affected by the lack of demand in Europe now?

Mr. WALLACE. I suppose the world market is influenced by the demand in Europe, Senator, and the price of American wheat, as long as we have a considerable surplus, is affected by the world price.

Senator OWEN. Have you in mind the extent to which the demand for American wheat has fallen off in Europe?

Mr. WALLACE. Our exports have been decreasing very considerably. I can not give you that figure offhand. You will find a great deal of that information in this late report, up to the date it was printed. I think that information has been brought up to that date.

Senator GOODING. Mr. Secretary, speaking of this bill, have you gone into the way it would operate in regard to buying other farm produce than wheat?

Mr. WALLACE. Obviously it will be more difficult to handle some products; for example, such as hog products. The handling of wheat or other grains would be the simplest part of the operation.

Senator GOODING. Of course in the livestock markets there are wide fluctuations. They may go off 50 cents in a day. That is quite a common thing. So the activities of the Government may be in or out in regard to this matter, and it may be put back in 24 hours. I hardly think that would happen in the case of wheat. It would be a very unusual thing if it did.

Mr. WALLACE. Well, in the price of hogs, the price of hogs is not so high that there would be any danger of the Government going in or out very rapidly, Senator, at the present time, if this plan was in effect. Hogs are very much below the normal purchasing value.

Senator GOODING. How many agricultural products does this attempt to apply to? Have you a list of them there?

Mr. WALLACE. No; I have not at the present time. I have the relative prices of agricultural products as compared with the pre-war price; that is, as of December 29. For example, I have hogs at Chicago on December 29, 95 per cent of the pre-war price; that is, 5 per cent below it.

Senator OWEN. Measured in terms of cents or purchasing power?

Mr. WALLACE. This is in terms of relative prices in dollars and cents, and not in purchasing power. I have here rye, barley, hogs, hides—all below the pre-war prices in dollars and cents.

Senator NORBECK. Mr. Secretary, as I understand it, even with hogs, they are selling at approximately one-third less purchasing power than before the war?

Mr. WALLACE. Oh, yes; I think so. Possibly more than that. Well, I don't know, either.

You will find in this report an interpretation of prices in purchasing power in the tables in the back part of the report, as of that time, on all of these commodities.

Senator RALSTON. Mr. Secretary, is it contemplated that the organization set up under this proposed law shall be in active operation all the time, or only at such time as it is necessary to keep the price of wheat up to a profitable price to the farmer?

Mr. WALLACE. It is my understanding that it is contemplated that as long as the purchasing power of any commodity of which we produce an exportable surplus is out of line or is lower than the pre-war purchasing power, the corporation would continue to act; that its functions would cease when the purchasing power of the product, whatever it might be, had arisen to a point where it was above the pre-war purchasing power. The purpose is not to try to bring about, as I understand it, an exorbitant price for anything, but to try to put the farmer back in the same position he was in before the war as to the purchasing power of those of his products of which we produce an exportable surplus.

The CHAIRMAN. Now, Mr. Secretary, suppose the law were passed and this commission declared an emergency existed in hogs, we will say. Would it be necessary that every buyer of hogs everywhere in the United States, in the case of hogs, like the elevator man would do in the case of wheat, would have to purchase scrip from the local postmaster and hold that back?

Mr. WALLACE. Senator, I have not undertaken to go into those details enough to discuss it intelligently. I don't believe that anyone can in advance of a setting up of this corporation answer a lot of these questions.

The CHAIRMAN. Then the farmer, in some locality, instead of selling to a local buyer, as they very often do, ships a carload of his own hogs to some central market, for instance. What would be the arrangement in that case with regard to the scrip?

Mr. WALLACE. Those are details that would have to be worked out by the people who are responsible for the administration of this law. There are plenty of difficulties. I can see that very easily. They are innumerable.

Senator JOHNSON. Mr. Wallace, when you were out in the Northwest, what sentiment did you find in favor of this bill on the part of business men; that is, in the elevators and also the milling business?

Mr. WALLACE. I did not see them to talk to them, Senator, on my western trip. I was with the farmers mostly, and a great many of them came to me and expressed their interest in this. It had been talked about as my plan, and so they came and asked about it, and sentiment seemed to be very sympathetic toward it, but I did not have an opportunity to talk with the millers or the business men at all. I was with the farmers at the agricultural college in Minnesota, and at Omaha I was with the livestock men. I talked before the livestock men on certain phases of the work of the department, especially the packing and stockyards act, and after I finished I was called back to answer questions about this particular plan. They seemed to be very much interested in it. The other people I did not have an opportunity to see at all.

Senator JOHNSON. Well, has your office, up to date, considered this proposal in the reports from these business men?

Mr. WALLACE. Our office has not had reports, but Mr. Brand, whom I asked to give some time to this, has talked it over with large numbers of business men, millers, packers, and other people who have to do with the handling of some of these products that conceivably might come under the prrovisions of the bill, and most of them, I think, make objections. That there are difficulties of administration I think is perfectly evident. The working out of the details, how we will do this, and how we will do that, and how we will do the other thing—those questions instinctively arise in the minds of

everyone who has anything to do with the matter, just as they arise in the minds of you gentlemen here.

I said to our people, to Mr. Brand, "Now, of course, people will raise questions as to whether this can be done or that can be done, but I wish you would say this to them, 'Suppose we take the affirmative side. Suppose we recognize that something ought to be done. Suppose we take the view that we are going to see if something can be done. Instead of raising objections all the time, and criticisms as to why you can not do it, suppose we go ahead and try to do something. I think that the state of agriculture is such that we should take the affirmative in this thing, if we can do it.'"

I don't see anything here that is not going to help. If there is some practical way to help, I want to see that done, because I think it is necessary.

Senator JOHNSON. There is a reason for my putting in this question. I understand that those interests that I mentioned, the millers and grain men, don't feel very kindly to the Norris-Sinclair bill. Now, what is their attitude toward this bill? The farmers are a little bit suspicious about them. If they take kindly to anything, I think we are apt to be suspicious.

Mr. WALLACE. So far as I know, their attitude is just as hostile as it is to the Norris-Sinclair bill. I have not found among any people who like to pursue the established way of handling things any enthusiasm for a material change. Instinctively they raise all sorts of objections.

Senator JOHNSON. You know in the past when bills of this kind have been before committees, I have seen a number of the men representing these interests in the committee opposing them, but they have not been here so far. This is the reason I want to know from you if you think these bills will be harmless to them?

Mr. WALLACE. Well, I don't know what you mean by harmless. I will say this to you very frankly, that aside from those people who operate on margins of cost and who undertake to maintain their margins of cost whether prices are high or low, I think there is a very sincere desire on the part of business men generally to do anything that would be possible to help this agricultural situation. I don't believe I look with the same suspicion on large groups of business men that you seem to, Senator. Take the situation in the Northwest. Banks are failing. Why? Because the farmers are in trouble. That is why most of them are failing. It is inconceivable to me that business men who recognize that situation should not be just as anxious as any of us are to do anything that is really practicable and workable to help the farm situation.

Senator GOODING. Mr. Secretary, of course it is expected that the man who is handling grain or any other farm products is going to oppose the upsetting of the regular order. That is only to be expected.

Mr. WALLACE. Yes, sir.

Senator GOODING. I think we would be doing that if we were in their position. I have no feeling against those men on that matter, so far as I am concerned, because it is recognized as a legitimate enterprise. But the time has come when the farmer has got to upset some of these things in some way or another, and that is what this bill will do to an extent, although not so much as the Norris-Sinclair bill, possibly. Between the McNary bill and the Norris-Sinclair bill, they are going to take the bill that is least harmful to them, and that is to be expected, but I don't think we are going to give them much consideration. We can not, if we are going to help the farmer.

Senator JOHNSON. What I am driving at is this: If these men that are doing this business now in grain, for instance, and livestock expect to be in business in the future, they ought to come through and help our farmers, whether it is through the Norris-Sinclair bill or this bill. I can not see why they should be hostile to this bill if they are convinced that this is the best measure. Eventually, this is going to get into the hands of the Federal Government and the States.

At the last session of the Minnesota Legislature, about nine months ago, a bill was passed creating an agricultural credit bureau, under which there has been application made for about $35,000,000, and it will probably be issued.

Now, we are just on the brink of going into this business ourselves, you understand, under the Norris-Sinclair bill, if we are allowed to do it. If this bill is all right, all well and good.

Senator GOODING. We have, as I understand it, about 19,000,000 people who are making a living out of trafficking in farmers' products. We have about 34,000,000 on the farms. Those 19,000,000 take about $2 where the farmer gets $1. I don't expect, Senator, that we are going to get much help out of these 19,000,000 people. We are all controlled more or less by selfish motives, and that should not make any difference with us at all. The only thing for us to do, as I see it, is to go ahead and relieve agriculture, and I think we have got to put some of these people out of business in order to do it. The farmer has got to have help from some source.

Senator JOHNSON. Well, I am with you on that.

The CHAIRMAN. Now, Mr. Secretary, this bill, the so-called McNary bill, does not pretend to eliminate any of the expense that attaches to the farmer's product from the time he produces it until it reaches the consumer, in the way of the elimination of middlemen, etc., at least directly. It may indirectly affect some of them. What I am trying to reach is, the bill does not undertake to reduce the cost of the marketing of farmers' products. Is not that true?

Mr. WALLACE. Well, I am rather of the opinion that the authority in the bill is broad enough to do anything of that sort, Senator. I mean there is authority here. Now, here are the powers in the two bills. I just had a parallel drawn between the two, trying to get a comparison.

First, as to the purposes set forth in the two bills:

The purpose in the one, the McNary bill—

> To restore and maintain approximately the pre-war normal relationship between the prices of certain farm products of which we have an exportable surplus and the general price level by purchasing the surplus over and above what will sell at a fair price on the domestic market, and disposing of the surplus abroad at the highest prices obtainable, assessing the losses from foreign sales and the costs of operation in the case of each commodity to the producers of that commodity.

Now, here are the purposes as set forth in the Norris bill:

> To provide a market for the sale of agricultural products and to eliminate as far as possible the commissions and charges that are exacted upon agricul-

tural products from the time such products leave the producer until the same reach the consumer, and to thereby increase the price which the producer received and decrease the price which the consumer pays.

Now, as to the powers:

In the McNary bill the commission has power to acquire, construct, maintain, and dispose of or acquire rights of operation of (1) storage warehouses for basic agricultural commodities; (2) facilities for transportation (otherwise than as a common carrier) in connection with the storage of such commodities, except that no such facilities shall be acquired by purchase or construction without the approval of the commission; and (3) facilities for processing such commodities.

(b) To make contracts for the processing of basic agricultural commodities held by the corporation.

(c) To conduct the business of furnishing storage facilities for basic agricultural commodities.

(d) To make advances directly to any person if the notes and bonds or other evidences of indebtedness representing such advances are secured by warehouse receipts, etc.

(e) To acquire, hold, and dispose of certificates of indebtedness or interest of any person received as security for advances on basic agricultural commodities or received in payment of the purchase price of such commodities sold by the corporation.

(f) To buy and sell foreign money for the purpose of avoiding the risk of fluctuations in exchange.

The powers in the Norris bill are:

(1) To build, buy, or lease, and operate elevators and storage warehouses.

(2) To buy agricultural products from any person within the United States, and to sell such products to any person within the United States, or to any person or to any government, or subdivision of government without the United States.

(3) To act as agent of any person producing or dealing in agricultural products.

Which is the same, in substance.

(4) To make advances for the purpose of assisting any person in financing the sale, or exportation and sale of such agricultural products, but in no case shall any of the money so advanced be expended without the United States.

I don't see that there is very much difference in the powers conferred by the two bills.

The CHAIRMAN. Now, is it not contemplated in the McNary bill that the operations, as far as livestock or any other agricultural products are concerned, shall be in substance confined to the surplus products?

Mr. WALLACE. Yes.

The CHAIRMAN. That is important, is it not, to take note of? If they carried out that idea and confined themselves to the surplus products only, it would follow, would it not, it would not reduce the cost of distribution to the American consumer at all?

Mr. WALLACE. Well, I think on that you are probably right. It is your thought that in the Norris bill the Government should go into the business of handling all of the farm commodities, buying and selling, and eliminate all of the middlemen?

The CHAIRMAN. No; not necessarily all. It would depend, I should think, on circumstances. If the corporation was set up there trying to carry out the intent of the bill, they would confine their operations to such things as needed assistance, but when they did

go into that they would not be confined to the exportable part of it, but it would be their duty to deal in enough of it in the American market to at least to a great extent control the American market by preventing commissions and profits to be attached as the thing travels from the producer to the consumer.

Mr. WALLACE. That is on the assumption that the Government corporation could do that cheaper than it is now being done.

The CHAIRMAN. Yes. Now, let me ask you this. Admitting that it may be the necessary and desirable thing to do, would not the effect of the McNary bill necessarily be that if it increased the money that the producer receives for the product, that entire increase, as long as you do not eliminate this machinery and profit that exists, would have to be paid by the American consumer, and would it not follow, then, that the cost of living would be increased if that bill were put on the statute books and carried out in good faith.

Mr. WALLACE. Presumably, but you must remember this, that the purpose or the underlying principle is that the producer of agricultural products shall get a price not measured in dollars and cents, but a price measured in purchasing power as related to the prices of other things. So that, presuming that the thing can be carried out, the effect would never be to put the consumer at a disadvantage as compared with the producer. The only effect is to preserve a fair relationship between the two.

The CHAIRMAN. Yes. I am assuming that, and I am not criticizing that, but if you do not eliminate any of this what I think is unnecessary machinery, the cost of which is attached to the product as it travels from the producer to the consumer, the consumer would have to pay more, and the cost of living would necessarily be increased. Would that not follow?

Mr. WALLACE. Well, possibly.

The CHAIRMAN. Now, then assuming that to follow, would not this be the next step, that wages would have to be increased to meet that, and would we not expect to do that on the railroads, for instance? Would there not be a demand, and would they not have a right to make a demand, if the cost of living goes still higher, that their wages should go still higher, and that having been done now, and carried out, which I think would be brought about, would not we then come back to where we started, and would we not have to increase the price of the products of the farmer still higher in order that he might meet this increased cost of labor, and would we not be traveling in a circle after all?

Mr. WALLACE. Well, possibly. I declare I can not foretell all those things that might happen. I am very frank to say I do not assume that amount of knowledge.

The CHAIRMAN. What consideration has your department given to the question of freight? That is called to my attention by the question I just asked you. Do you think that freight rates have a good deal to do not only with the small amount that the farmer gets for his product, but the large amount that the consumer has to pay? Is not that one of the big items?

Mr. WALLACE. It is one of the burdens, of course. Increased freight rates is just one of the additional burdens. I don't think the freight rates influence the price level, but it has added that

much additional burden. There is no question about that. It is one added expense of production, because it is really a large expense of production.

The CHAIRMAN. Don't you think, considering the two or three questions that I have just asked you, that the enactment of the McNary bill would mean ultimately an increase in freight rates, and would cause the cost of living to go up?

Mr. WALLACE. Well, I should hope not.

The CHAIRMAN. We all hope that.

Senator GOODING. Mr. Chairman, I have not quite understood some of your questions. How do you figure the McNary bill would increase the cost of living?

The CHAIRMAN. Because it is going to increase the price that the farmer gets, and it is not going to eliminate any of the useless machinery.

Senator GOODING. Yes; I understand that now. You are quite right about that. I don't think there is any doubt about that. It is going to increase the cost of living, and so will your bill, so far as that is concerned, if you improve the condition of agriculture.

The CHAIRMAN. No; that is not the theory at all, Senator. One of the fundamental things involved in that bill is the elimination of costs between the producer and the consumer. It does not meet all of them. I concede that. It does not meet the freight question, excepting on exports. It would reduce the freight on exports very materially. It tries to eliminate—and it seems to me we must eliminate in some way—the cost that attaches to the products after they are produced and before they reach the consumer.

Mr. WALLACE. Senator, what do you consider are the elements of these costs?

The CHAIRMAN. Well, freight is one of the big elements, and commissions on sales. For instance, I understand, while that is not covered by the bill, but I think of it now because it is fresh in everybody's mind, in the case of coal, that everybody has to have, it is sold five or six times between the time it is mined and the time the consumer gets it. That is true of most all of our products, whether they are covered by either of these bills or not. Everybody makes a profit, and he has a right to make a profit, if he sells it, and there are a lot of fellows that sell it without ever seeing it, without ever even handling it. I understand that some of the big corporations have subsidiary corporations that sell the product four or five times themselves, from one to the other, and always make a profit, of course. Is not the cost of distribution of everything too high? Regardless of whether they are getting a fair profit or not, are we not faced with this proposition, that we have got to reduce the cost of distribution if we are going to afford any permanent relief to the farmers?

Mr. WALLACE. The cost of distribution has certainly increased tremendously as compared with pre-war. What are the elements that enter into that cost of distribution? Take freight, for example. Why have we got higher freight rates?

The CHAIRMAN. Well, if you are asking me the question, there are a good many reasons why we have too high freight rates. First, there are railroad men getting $75,000 a year. That is more than any man on earth is worth, I don't care what his business is. Some of the biggest cooperative institutions in the world, that do more business than any one railroad in the world, have men at the head of them that are getting $5,000 to $6,000 a year.

Second, all these railroads are in politics. That is one of the reasons given why we should not have Government ownership, but my desk is covered with letters, coming from business men all over my State, praying and begging that under no circumstances must we change a word in the Esch-Cummins law, and when I write to them and ask them what they know about the Esch-Cummins law a large percentage of them say they don't know anything about it. They say, "I wrote that letter because the attorney for the Union Pacific Railroad or some other railroad came into my office and talked with me about it and asked me to write the letter," and in many cases they say, "He wrote the letter that I signed." I find that they are going all over the country doing that. It must cost them thousands and thousands of dollars to keep a lot of high-priced men, lawyers, traveling around seeing business men to induce them to write to Members of Congress.

Those are things that in themselves are little and trifling, possibly, but you put a whole lot of trifles together and in the aggregate you have something enormous.

Then we have a rate fixed by the Interstate Commerce Commission based on the valuation of a railroad that is nothing in the world but a guess. My own idea is that while there is a lot of honest dispute as to what items should go in in fixing the valuation of public utilities corporations, there are a whole lot of items included in it that ought to be excluded. I don't believe that a public utility corporation, after it has paid a reasonable dividend upon its investment, should, for instance, be allowed to accumulate a big surplus and eventually set that aside and distribute it amongst its stockholders as a stock dividend. That would be all right in an ordinary business corporation, but in a corporation that is semipublic, that has the right of eminent domain, it must follow, if we are fair, that they ought to be allowed to produce only a reasonable profit, and all over that ought to go to the public. That permits them to operate almost like a governmental institution.

I think those are some of the things that enter into your freight rates.

Senator MCKINLEY. You have said nothing at all about labor. Labor is one of the very big items of cost of operating a railroad. The fact that the price of labor now is two and a half times what it was before the war, does that have anything to do with it?

The CHAIRMAN. Yes, sir; it does have a great deal to do with it, and very legitimately, and I think if we pass the McNary bill ultimately, if it works like the fellows behind it think it will, we will have to increase the cost of labor on the railroads still higher because it seems to me the cost of living is bound to go up. Now, we have from all over the West a freight rate on wheat where it comes in competition with Canadian wheat a good deal higher in the United States than in Canada. That is a government-owned railroad and may be doing it at a loss, and maybe the railroads now, if we were to cut down freight rates, cut them in two in the middle would often have to operate at a loss. If the Government would contribute that

loss out of the Government treasury, or if it owned them, so that that loss could be distributed in some way in general taxation, would not that break that circle that we are bound to and are traveling in? Any increase that the farmer gets the consumer pays. Labor then demands an increased wage and gets it and then the farmer is out of joint again as a producer. You increase it again and increase wages again. If we want to get back to normal we must break that circle somewhere, and it seems to me a good place to break it is in freight rates. If it were once broken, instead of increasing the cost of living and increasing the cost of wages, when the cost of living goes down, wages would go down with it. Somebody has got to stand the loss, it seems to me, in that circle, if we ever do break it.

I don't like to testify, but the Secretary asked me that question. I have not fully answered it yet.

Senator McKINLEY. As I gather, your idea is that transportation is largely the cause of the trouble?

The CHAIRMAN. It is one of them, Senator. It is one of the big items.

Senator McKINLEY. And that any loss should be made up by general taxation.

The CHAIRMAN. In my judgment, if the railroads were efficiently operated and would confine themselves to the operation of railroads instead of running the Government, we would not have any surplus to make up by general taxation.

Senator McKINLEY. Efficiently operated, then, would be for the Government to run them?

The CHAIRMAN. If it could not keep them out of politics any better than they are kept out now it would be a bad job. I don't think it could be any worse.

Senator JOHNSON. The Senator from Illinois said that the wages of the railroad people are two and a half times what they were previous to the war. I really wonder if that is correct? I have talked with many conductors that are getting $190 a month, and some freight engineers. They have the highest wages.

Senator McKINLEY. I don't think the trainmen were raised that much.

Senator JOHNSON. They were the highest, two and a half times.

Senator McKINLEY. That was the men below them, Senator.

The CHAIRMAN. I think there have been specific instances where a man was labeled as a laborer before, and put into some scientific classification, where the wages went up that much, but as a class they have not gone up anywhere near like that.

Senator GOODING. The average at the present time, as furnished me by the Interstate Commerce Commission, taking all labor, including division and general officers, is 120 per cent higher on the railroad than pre-war prices. That is the average. It has been up to as high as 145 per cent, but there has been some reduction. I think there was an increase of 5 per cent made just the other day by the New York Central, but there has been some reduction. I think there was an increase of 5 per cent made just the other day by the New York Central without even consulting the labor board in Chicago.

Senator OWEN. Is that 120 per cent the present wage or the increase?

Senator GOODING. 120 per cent above the pre-war price, taking the pre-war price at 100 per cent.

Senator OWEN. That is 20 per cent increase?

Senator GOODING. No; 120 per cent increase. Taking 100 per cent as the pre-war price, the present price is 220 per cent.

Senator JOHNSON. Mr. Chairman, we are not discussing this question, but have you seen the reports of the net earnings of three or four of the biggest railway companies that have their head offices here in the East? You will find how big the net earnings have been.

The CHAIRMAN. If they would get out of politics and run railroads, instead of trying to run us, and do the same thing in all the States, they would save a lot of money. I don't know how much, but it would be an enormous saving.

Senator GOODING. Mr. Chairman, I want to say this, and I think we all agree on it. The general condition of agriculture is very serious and ought to be helped. I agree with the Chairman very fully that the cost of marketing and distribution of farm products has got to be lowered in one way or another. I doubt if it would be wise at this time, however, to pass legislation that would upset all of the marketing conditions. I believe that the only way that you can reduce the cost of living in this country is by upsetting marketing conditions in some way or another, but I think it has got to be done largely through organization on the part of the farmer. He has got to get nearer to the consumer than he is at the present time. If he can be encouraged in every way to bring about these organizations, and can be made master over his own products and his own labor and his investment he would be in exactly the same position that the steel people and other people are in who are able to pass their increased cost of production on to the consumer. I would be glad if legislation such as you propose could be passed, but I doubt whether it can be passed.

The CHAIRMAN. That is said all along, Senator, and I think, myself, there is doubt whether it can be passed or not. That, I take it, is not any criticism of the bill, but criticism of the men who have to pass on it.

Senator GOODING. I don't think the country is quite ready for this, in some way or another. They have not likely studied this, and you don't know much about anything unless you get down and study it. That is one reason why I think it is not so easily disposed of. There are those questions, and it proposes a very radical change in the condition of affairs of the country in the matter of handling farm products. I am in hopes that we will be able to get together and work out something in this committee. Maybe we can take all of these bills and work out some relief. I have a bill that I think will give them immediate relief, but I doubt if we will be able to pass it, so I am not going to waste any time or talk or comment, or ask the committee to give it any time, so far as hearings are concerned. I may ask the committee to report without recommendation. I know as a farmer myself—that is all I have done all my life—that agriculture is facing an impossible condition and can not carry on and we have got to do something to help out, not only as far as the farmer is concerned, but the whole country can not go on in the condition of agriculture, because it is the basic industry of the country, and we have got to do something to relieve it. There is no doubt

about that in my mind. If I can not get what I want, I am willing to take something that I think will promise some relief to the farmers, and I believe the whole committee feels just the same as I do about it.

The CHAIRMAN. Mr. Secretary, I beg your pardon for interrupting you at such length, but I only did it because you asked me a question.

Mr. WALLACE. Getting back to the cost of distribution, it seems to me that every man must recognize the tremendous increase in cost of distribution, and just for the sake of illustrating one phase of it, within a very short time after I became Secretary I called in some of our people, and I said, "I would like to see if we can not get some information concerning the cost of distribution of some farm products that might be helpful," and we started an investigation as to the cost of distributing meats, and we are still considering it.

The CHAIRMAN. I wish you would give us the results, if you have them, as far as you have gone in that investigation.

Mr. WALLACE. Well, I don't like to quote from memory, but the result of our preliminary investigation of a large number of retail establishments, as I remember it, was about this, that the cost of retail distribution had about doubled, possibly a little more than that. I think about 67 per cent of the cost was wages, and that they had more than doubled. The increase in the cost of ice, twine, and paper, as I remember it, ran from 75 to 90 per cent. The increase in rent was the least, as I remember it, and it was 35 per cent. After allowing for all those increases—speaking now of the average—the dealer, as I remember it, had about doubled his margin. There were a lot of items of expense——

The CHAIRMAN (interposing). How much was freight increased?

Mr. WALLACE. We were not dealing with freight at all. We were starting with the meat when it got into the retail shop.

The CHAIRMAN. You did not commence at the producer?

Mr. WALLACE. No. I am talking now of the retailer of meats.

Some people were making a profit; some people were not making any more profit than they had made before. There were a lot of factors that entered into it that we do not always consider. I have in mind now two small shops beside one another; small stores, I mean. One of these men, as I remember, was making about $5,000 a year, doing most of the work himself. The other man was making barely a living. The difference was largely in the men. One was courteous, studied the wants of his customers, was a real salesman, and the other was "There it is; take it if you want it. What do you want?" That enters into salesmanship in all lines of business.

The CHAIRMAN. If I might interrupt you there, that is interesting and illuminating and has a good deal to do with the question, I think; but while you were discussing the powers of the so-called Norris bill did it occur to you that there was encouragement offered there through this big corporation to sell through cooperative organizations? Did it not occur to you that there might be a big saving in the retail proposition if consumers would organize, and would they not organize if they had some big corporation like that that would sell to them, instead of dealing with wholesalers and jobbers, who will not sell to them, who insist on selling somewhere else, and boycott them when they do get into business? Would not that help the situation a great deal?

Mr. WALLACE. Well, possibly, Senator. I would have answered a question like that with a great deal of assurance 10 or 15 years ago. I don't have that same assurance now.

The CHAIRMAN. I may be wrong about it, you know, but it seems to me that that ought to work.

Senator GOODING. Is not that one trouble with the country to-day that we have too many retailers in business in proportion to our population?

Mr. WALLACE. A great many people think so. We find that your chain stores, for example, distribute very much cheaper than your single shops.

Senator JOHNSON. There is a thing I have studied very much lately, because I have been interested in cooperative concerns, and we have not been able to do business, and you probably know the reason why. When you mentioned the distribution of meat in Washington, for instance, why is it that every one that has got anything to do with the work of delivery and every other branch of that business has to have more pay? The reason they have to have more pay is because their rent, their taxes, their clothes, everything, even the newspapers and insurance, are higher. That is the reason they demand it. I have made an investigation in St. Paul myself, where we were going to cut down the wages, but what did we find? We found a man could not live decently in St. Paul with his wife and from three to five children unless he receives twenty-three hundred and some-odd dollars a year, and there was not any of that to be set aside for emergencies, for illness, or hospital bills or anything of the kind. There wasn't anything left after figuring his rent and his grocery bill and his clothes. I didn't talk only to one, but I got it from several.

Mr. WALLACE. Suppose you apply that to the farmer. Have you made similar figures as to what the farmers' needs are?

Senator JOHNSON. That is what we are trying to get at. Here you get a creamery check for $300, and it costs $350 to produce it. Supposing you get a creamery check for $300. The farmer has got to work for nothing to get that, if he figures that he has got to have something to put in his dairy barn, etc., and his wife and girls and boys work, and as long as they slave they are all right, but they begin to get disgusted, so part of our neighbors in that section of Minnesota went to Detroit, Mich., and went to work for Henry Ford, but we can't all work for Ford.

The CHAIRMAN. I don't know about that.

Senator MCKINLEY. Mr. Secretary, speaking of the cost of distribution, just in a few words, is not this about right on Washington meat; that it is delivered here by the packers with the railroad freight paid for about 20 cents a pound, and isn't it delivered to you or to me at about 40 cents a pound?

Mr. WALLACE. I don't like to answer, Senator, without checking up my figures. We can give you that information in considerable detail if you want it, but I don't trust my memory on figures as I used to.

Senator GOODING. Of course, you can talk about too many middlemen, but we have too many storekeepers also.

Senator LADD. There is one point, Mr. Secretary, that I would like to have just a bit of information on.

Page 24, section 303:

It shall be the duty of every purchaser of any such commodity to tender, and of every producer to accept, as a part of the purchase price an amount of scrip, etc.

Suppose a farmer brings into my home city in Fargo a half dozen hogs for the meat market, and another farmer brings in a load of wheat to the mill; does it mean that when he sells his hogs to the meat market, or when he sells that load of wheat to the mill he must take that scrip?

Mr. WALLACE. Well, Senator, I can not undertake to answer those questions. The corporation has got to work out all of those things.

Senator LADD. They can not go outside of the law.

Mr. WALLACE. No; but they can follow the law.

Senator LADD. That means to the farmer of North Dakota, if he takes his wheat to the mill, if I understand it correctly, he has got to furnish the capital to run that mill on until the next year; until they settle.

Mr. WALLACE. If I felt that way about it, I certainly would not support this bill.

The CHAIRMAN. Right on that point, if you will excuse me, Senator. I wonder if the Senator from North Dakota has the same idea about that that I have about that. I don't see the point.

Senator LADD. I don't know but what I am stupid.

The CHAIRMAN. I don't know but what you may be entirely right. I am just seeking light. My idea is that the miller or the fellow who bought the hogs to get that scrip would have to put up the money to the postmaster, so that he would not make anything on it. He would have to put up the whole thing.

Senator GOODING. I would like to ask the secretary if there is anyone in his office who has studied those things.

Mr. WALLACE. You will find in the hearings before the House committee some testimony by Mr. Brand which embraces the results of his investigation. I am sorry he is not here now to come before you.

Senator LADD. On page 25, Mr. Chairman, it says: "In lieu of such scrip the corporation may provide for the filing, under oath, of monthly returns," which would not necessitate the purchasing of such scrip. That is what I was getting at.

Senator MCNARY. Mr. McHugh, who has had much to do with the drafting of these bills, was employed as a member of the Senate legislative drafting service, and he can possibly answer the question.

Mr. MCHUGH. I can answer the Senator from North Dakota. Scrip to the amount which will be determined by the commission will be purchased by the elevator man and if, for example, the ratio price of wheat has been determined at $1.50, the elevator man will tender $1.25 in cash and 25 cents in scrip.

The CHAIRMAN. Explain that clause that the Senator from North Dakota just read in answer to me. I mean the one he read last. What is meant by paragraph (d) in section 303?

Mr. MCHUGH. It is my understanding, Senator, that under certain circumstances, if you have cooperative organizations and big elevators buying huge quantities, the elevator will send a return to the corporation indicating that they have purchased so much wheat from various persons, a consolidated return, and relieve the farmer then of any duty to buy this scrip.

The CHAIRMAN. The farmer does not buy the scrip. The dealer has to buy the scrip.

Mr. MCHUGH. Yes; the dealer has to buy the scrip.

The CHAIRMAN. Would it not follow that Senator Ladd is right, that out of the full price for the product, whatever it may be, he is keeping back a certain amount, and he could use it in operating his business and would not have to pay until the end of the season?

Senator LADD. There is still another point I would like to have cleared up in my mind. The elevator gives him scrip for 25 cents, we will say. The man who bought that from the post office had to pay 25 cents for the scrip.

Mr. MCHUGH. Yes, sir.

Senator LADD. And the farmer accepts it, and when it comes time to settle at the end of the year he only gets 10 cents. Who is going to make up the difference of 15 cents?

Mr. WALLACE. He got the difference in the price he got for his domestic wheat.

Senator LADD. He pays the postmaster 25 cents.

The CHAIRMAN. And the postmaster pays it in to the corporation. If he only gets 10 cents it means that 15 cents is his proportion and share of the loss.

Senator LADD. Then it is true that somebody has been furnishing money without interest.

The CHAIRMAN. Senator Ladd asks about when he does not give any scrip.

Mr. MCHUGH. As I remember the point, I think Mr. Brand suggested this was put in to cover cases, I believe, for instance, such as in the case of hogs, where it might not be possible to issue scrip on a particular thing, and they could do it by wholesale buying and selling, and they could really assess the cost without the use of scrip.

The CHAIRMAN. Yes: but who puts up that money? Suppose there is a loss, how are you going to get the proportionate loss until you settle up at the end of the year, if there has been any loss? He pays a certain amount to the producer of the wheat or hogs, or whatever it may be, and he holds out a certain amount. He has that money, even though he is good for it and puts it up at the end of the year. He has the use of that money for the year without paying any interest.

Senator MCKINLEY. Suppose he has to put it up and it goes the other way. Who pays the loss?

The CHAIRMAN. If he has paid it, then certainly no complaint can be made. That is the reason they take out of the farmer's product that he brings in this amount that is given to him in scrip, but that is paid for just the same and the money is put up for it by the dealer. He pays the full price, and that money goes into the corporation in order to help bear the loss that is going to come on this product. I can see that plainly, but if he does not put up the money, how are you going to cover the loss?

Senator MCKINLEY. Suppose one farmer sold to a dealer and was paid in cash, and suppose another farmer got 25 cents in scrip. The

man who took the scrip stands a loss of 15 cents and the other man stands it all.

The CHAIRMAN. But that is not what happens. That is not the practice. The one gets scrip which makes up the full amount of his sale. The other does not get any scrip, and he is not paid the full amount, but the buyer holds back what in the other case is given to him in scrip.

Senator NORBECK. Mr. Chairman, maybe I am mistaken, but it does not seem to me that the farmer is paid in full in either case. It looks as though this is a matter between the grain elevator and the grain corporation, and the whole question is whether they shall give scrip or some kind of a certification. If the buyer does not pay the money they are holding the buyer for the balance, whatever that balance may be.

The CHAIRMAN. Yes; but the buyer, as Senator Ladd suggests, keeps that money.

Senator NORBECK. Oh, he does?

The CHAIRMAN. Yes.

Senator NORBECK. This is simply permissive. They may do that if it is the better plan.

Senator GOODING. They have got to operate under the direction of the commission, of course.

Senator LADD. But the commission can not violate the law?

Senator GOODING. No. I don't see where the dealer comes in at all except under the direction of the commission.

The CHAIRMAN. The dealer, let us say, pays for hogs $10, $9 in cash, and there is a dollar left. He keeps that dollar and does not give him scrip for it. If he gives him scrip, he has to buy that scrip from the post office and pay the dollar for it, and the postmaster sends that dollar to the corporation. If, under paragraph (d) he does not give him any scrip and pays him only $9 for the $10 hog, the dealer has a dollar that belongs to the farmer in the shape of scrip. Assuming he is good and at the end of the year he is going to pay that, at least he has the use of that money all the time.

Senator MCKINLEY. Does not section (d) speak about paying that directly to the corporation?

The CHAIRMAN. As a dealer he does not stand any loss. The dealer bought the hogs for $10.

Senator GOODING. But the farmer stands his proportionate share of the loss.

The CHAIRMAN. The corporation ought to have this dollar in order to protect it from that loss. Somebody should pay it to them.

Senator RALSTON. Mr. Chairman, at the beginning of our work this morning I made an assertion that was rather humiliating to me. After this long and laborious effort this morning, I still do not understand this bill, and I am gratified to know that there are others in the same position.

Senator MCNARY. Mr. Jewett, will you explain that?

Senator GOODING. I would like to get through with the Secretary. It is going to take a good deal of time. I do not understand some things in this bill and I would like to have them cleared up.

The CHAIRMAN. Suppose, Mr. Jewett, you just make a note of that, and we will call you on the stand when we get to it.

Mr. JEWETT. I would like to have each member of the committee make a note of the things they do not understand, and I believe I can clarify the points to the Senators' satisfaction.

The CHAIRMAN. Now, Mr. Secretary, we beg your pardon for this long discussion again. It comes about, of course, because we are anxious to get light on this particular bill that you are not able to give us.

Secretary WALLACE. It is not surprising to me that there is confusion, and a lot of it, because you are dealing with a very intricate problem here. A great many of these difficulties have got to be worked out, and they are difficulties.

Senator RALSTON. Mr. Chairman, I wonder what the committee would think of the advisability of having the chairman call to his assistance two members of this committee, to illustrate—this just occurred to me—Senators Gooding and Ladd, and the three prepare a bill in favor of agriculture, to give it relief, that they would be willing to lay before this committee and ask it to recommend to Congress.

The CHAIRMAN. Let us finish with the Secretary. That is a good proposal, I think, but I hope you will not put me on anything of that kind, because we would not agree. We don't agree now, but we just have to go on here, I suppose, and come eventually to vote on this proposition.

Senator GOODING. I want to thank the Senator for considering my name in connection with such an important matter, but we have got to go on with our hearings and finish them and then see if we can not go into executive session and fight this thing out. We will come to some solution of this thing, I am sure. We won't all agree, but we will arrive at something.

Senator JOHNSON. Now, Mr. Jewett, you made a very able explanation of this scrip proposition the other day, but, Mr. Secretary, he started in down at Kansas City and probably before he got through he admitted he would have 20 cents on wheat. The fluctuations on grain of course go up and down. Now, for fluctuations of 20 cents and 25 cents it would be all right, but when it comes to other commodities, where they can go up and down a dollar a day, what would we likely have there on scrip if this bill should go through?

Mr. WALLACE. I have not given a thought to those details, Senator, and I can not answer you. Those are all questions that have to be worked out by the corporation.

Senator JOHNSON. Is it not a fact, then, that this would be a mighty complicated measure that the farmers would not understand? They will be suspicious about it, like the income tax. It would take a Philadelphia lawyer to understand it. It ought to be more plain, and I hope somebody will work out something more plain.

Mr. WALLACE. Senator, you are dealing with a problem here of almost inconceivable magnitude and difficulty, and I don't see how you can work out all these details and express them in the law. The principle underlying this is simply this, to try to get the farmers' purchasing power, or, rather, the purchasing power of the farmers' products, of which he produces an exportable surplus, into a fair

relation with the prices of the things he has to buy. That is the principle which underlies this whole thing, and the first question is to determine whether we want to do this. Is it right and just and fair not only to the farmer, but to all the people of the country that that should be done, and if you decide that, then the question comes up how are you going to do it, but when you get into that question you are launched out onto a program of extreme difficulty, but if you once decide you want to do it and take the affirmative and say we might find some way to do this, then many of these troubles will disappear.

Senator JOHNSON. Mr. Secretary, here is probably the last question I will ask you now. I want you to go on record in answer to this question, whether you think it would be advisable to have a price set on farm products by the Government or by Congress for at least two years' time in order to help the farmers on their wheat?

Mr. WALLACE. Senator, I assume you mean a price in dollars and cents? I will say frankly I do not believe it would be advisable for Congress to do that. I think the probable result would be more harmful than beneficial to the farmers.

Senator JOHNSON. Now, here is another question. Under this McNary bill, suppose that everything will be all right, that our purchasing power will be next year in conformity with the selling power. Now, who is going to pay the farmers for all these millions of dollars of loss that we have had during the last few years? Are we going to throw that away and not be compensated? We would like to be placed in a position where we can grab a little bit ourselves. You know what I mean by that. We would like to have an opportunity to recoup our finances. Under this bill we will not be allowed to do it. We have to be on the same level. You know during the war wheat would unquestionably have gone up higher if we had not had a price set on it at that time, when everything else was up high.

Mr. WALLACE. Did you ask me a question?

Senator JOHNSON. I did ask you a question, if it would be possible—I, of course, put something on top of my question, in order to make you understand what I really was after, and that is, if we would be in a position to take advantage of an opportunity to get something back of what we lost?

Mr. WALLACE. I don't know of anything in this bill that looks to a recoupment by the farmer of his losses in the past. I don't know how you would do that. The effort here is to try to save these losses and put him in a fair position for the future.

Senator RALSTON. Mr. Secretary, could the plans adopted by any large industrial interest of our country for the conduct of their business be adapted to the farmer's condition and made practical?

Mr. WALLACE. This bill in one way undertakes to do that, as I understand it.

Senator RALSTON. Is this plan modeled after some industrial plan?

Mr. WALLACE. In so far as I know, not in any of its details. I have no doubt that many people who have been favorable to this plan have had in mind the success with which some industries have been able to market their surplus and get it out of the way.

Senator RALSTON. They evidently do it successfully. Now, it looks as though we might find out their plan and give the farmer the benefit of it, if we want to favor him. He only wants to be favored to get through this emergency.

Mr. WALLACE. I am not thinking of favoring the farmer. I am thinking of doing him just even-handed justice.

Senator RALSTON. Oh, well, when we undertake to help a man by legislation we necessarily extend governmental favors. The general policy is that the Government should keep its hands off business. At least, that has always been my thought. Here we are up against an emergency.

Mr. WALLACE. I think you are right on that.

Mr. Chairman, I don't want my position to be misunderstood here. In the first place, I came here at your request to answer any questions you wanted to ask me. I did not come for the purpose of boosting any measure at all, and I am trying to take an affirmative attitude. I feel that the state of agriculture is such that I will favor any measure that really promises to be helpful.

Senator GOODING. Mr. Secretary, you, of course, are familiar with the condition of the farmers throughout the country, and you seem to be alarmed as to the effect of a fixed price on wheat; you think it would do the farmer more harm than good. Would the price of $1.40 per bushel increase the production of wheat in your State, in view of the price of corn at the present time, do you think?

Mr. WALLACE. Any fixed price for wheat which would make it more profitable for the farmers of the winter wheat country to grow wheat than to grow some other crop would result in a largely increased acreage.

Senator GOODING. That is what I am asking. Would $1.40 for No. 1 Northern Wheat—the average would be about $1.30, or maybe $1.31, that the farmers would get, based upon No. 1 Northern—upset conditions very much in the Corn Belt?

Mr. WALLACE. I think it would tend to increase the acreage of wheat in the Corn Belt; yes, sir.

Senator GOODING. You are familiar, of course, with the Corn and Wheat Belts in the country. Is it possible to increase wheat very much in the Wheat Belt, in the Dakotas and Montana?

Mr. WALLACE. I found a shrinkage there. No; I admit there is not a great deal of country that would be brought in on that price, but any price which would stimulate considerably the acreage of wheat in the Corn Belt will operate to the disadvantage of the people in the Wheat Belt, because it simply adds to their difficulties by increasing the surplus of wheat.

Senator GOODING. Don't you think that would help the corn people, as far as that is concerned? It would increase the price of wheat, and they would go into the growing of wheat, and it would help the corn people. Wheat is what we might call our principal agricultural crop in nearly every section of the country, except the Southern States and the Corn Belt, and would not an increase in the price of wheat help agriculture all the way through, a mere increase of 30 cents a bushel? Would that destroy the balance, do you think?

Mr. WALLACE. Your judgment is as good as mine on that, Senator.

Senator GOODING. I don't agree with your statement, Mr. Secretary, and that is the reason I ask you this question. I don't believe we will ever produce in this country again until we use more fertilizer at least, the crop we did in 1913, when we produced 1,025,835,000 bushels of wheat, which the next year dropped down to 636,000,000.

Mr. WALLACE. The yield, of course, is influenced by the weather.

Senator GOODING. I went into that thoroughly, and I became thoroughly convinced that we have reached the peak of production so far as wheat is concerned, until we make it so profitable that the farmer can afford to use fertilizer and increase his yield. In other words, the country is going backwards, so far as I can see, in the volume of wheat production. Some years, when there is an abundance of moisture it does not show the loss of fertility of soil, but when it becomes a little dry then it is affected, and the yield is reduced, so we are slipping backwards, in my mind, in production of wheat.

Mr. WALLACE. Do you think Canada is slipping backward in the production of wheat?

Senator GOODING. No. That is a different question entirely. They have got 36,000,000 acres, as I understand it, in cultivation in western Canada, and a possibility of anywhere from 170,000,000 to 270,000,000 acres of available land in that country. That is our alarm. There is no question about that. It is necessary to do something to save the wheat country. With the increased production all over the world, with Russia, who has been out of it, coming back, so we are told, who was the greatest producer of wheat of any country in the world, there is no encouragement to the wheat grower at all. He is facing a grave situation, and that is why I think we have got to reach some solution of this question.

Senator LADD. Mr. Secretary, can you tell us, for my our information, is the ratio of selling price of corn and wheat about the same now as it was before the war?

Mr. WALLACE. You are talking of the price in dollars and cents?

Senator LADD. In dollars and cents at the present time.

Mr. WALLACE. I have here only one price on wheat. No. 2 Red Winter, St. Louis, 105, taking 100 as the pre-war average.

Senator LADD. When was that?

Mr. WALLACE. December 29. No. 3 yellow corn at Chicago was 126 on December 29. No. 3 wheat at Chicago, 107.

Senator LADD. Then corn is higher, relatively?

Mr. WALLACE. Just now; yes, sir.

Senator LADD. 126?

Mr. WALLACE. Yes.

Senator GOODING. It has been for some time?

Mr. WALLACE. Yes. When the corn producer was in the depths of despair the price of wheat was relatively higher.

Senator GOODING. I understand the production of corn was good as a whole this past year.

Mr. WALLACE. We had a very good corn crop.

Senator GOODING. If the corn crop was so large and the price of pork is low, relatively, how do you account for the fact that corn is relatively higher now than wheat?

Mr. WALLACE. I suppose there are two or three reasons for that. Probably the main reason is the large crop of hogs. We killed more hogs in 1923 than ever before in our history. I think, as I remember it, we killed about 53,000,000 hogs.

Senator GOODING. That would not account for the increased price of corn. The corn would go down.

Mr. WALLACE. It does not work that way always, Senator.

Senator GOODING. I know it does not. I would like to get your views about it.

Mr. WALLACE. There is always a swing between corn and hogs.

Senator GOODING. In other words, you think there are some other factors working?

Mr. WALLACE. I have a chart of the relative corn and hog prices for 50 years. The swings are about 18 months or 2 years above the average ratio or below the average ratio for the same period. The farmer always tries to adjust.

Senator GOODING. I will say for 20 years I have had your charts on that very thing and have accepted them.

Mr. WALLACE. I think they are all right.

Senator GOODING. I think they are. It is pretty hard to understand, with these enormous corn crops that have been produced, how the price of corn has been maintained at so high a level. Is there any secret about it in any way?

Mr. WALLACE. I don't think so, Senator.

Senator LADD. In the last two or three days we have been told that corn would probably go higher, and it looks as though it is a good thing to invest in, and we are told that wheat is bound to go lower.

Mr. WALLACE. Men accustomed to following those tips might try that.

Senator LADD. I thought maybe your department might be familiar with that and could tell us about it.

Mr. WALLACE. Nothing of that sort has come out of our department.

The CHAIRMAN. A year or two ago when corn was way down—when was it?

Mr. WALLACE. 1921.

The CHAIRMAN. We had evidence before this committee at that time, and an abundance of it, coming from the farmers in the Corn Belt, that corn was way below the cost of production.

Mr. WALLACE. There is no question about that.

The CHAIRMAN. And even a renter, where he delivered the rent in corn, after he had the corn crop made, could not step out and somebody step in and take his place, husk the corn and deliver it, and pay the actual cost and come out on it. It could be demonstrated mathematically, and was, that if you had to pay for the work of husking it and shelling it, the renter, with his shelled corn sold at the market price, would not bring enough money to pay the operation even after he threw in all his work and the use of the land and everything. Why did corn go down so low then?

Mr. WALLACE. Well, you are asking me a lot of very difficult questions when you ask me to explain how all those things happen.

Senator GOODING. I wonder how they got corn up.

The CHAIRMAN. The same rule would apply, I suppose. If you could answer one, you could answer the other.

Senator NORBECK. I want to say, Mr. Chairman, in the State of South Dakota a great many farmers would like to sell their corn at this high price, but are compelled to keep their corn to feed their hogs, because they are half finished, and they have got to go through with it.

Mr. WALLACE. Let me make it clear again, Mr. Chairman, that I am not here to urge any such plan as mine. I just simply express my opinion that the principles underlying this bill are directed to the root of the trouble. If it can be worked out, it may mean some help, but I am not here to urge this as my plan, or any other plan.

(Whereupon the committee then adjourned until Monday, January 28, 1924, at 10 o'clock a. m.)

Volume 2

C. Eliot

PURCHASE AND SALE OF FARM PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-EIGHTH CONGRESS
FIRST SESSION

ON

S. 1642

A BILL TO PROVIDE FOR THE PURCHASE AND SALE OF FARM PRODUCTS

AND

S. 2012

A BILL DECLARING AN EMERGENCY IN RESPECT OF CERTAIN AGRICULTURAL COMMODITIES, TO PROMOTE EQUALITY BETWEEN AGRICULTURAL COMMODITIES AND OTHER COMMODITIES, AND FOR OTHER PURPOSES

JANUARY 30, 31, FEBRUARY 1, 2, 5, 7, 8, 9, 12, 13, AND 15, 1924

PART 2

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PURCHASE AND SALE OF FARM PRODUCTS.

WEDNESDAY, JANUARY 30, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C..

The committee met, pursuant to call, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Gooding, McKinley, Smith, Ransdell, Harrison, and Johnson of Minnesota.

The CHAIRMAN. The committee will come to order. Mr. Gould is the first witness.

STATEMENT OF W. E. GOULD, KEWANEE, ILL.

The CHAIRMAN. Give your name, business, and residence to the reporter.

Mr. GOULD. W. E. Gould; Kewanee, Ill.; I am in the banking and farming business.

The CHAIRMAN. Do you want to talk about the McNary bill, Mr. Gould?

Mr. GOULD. Yes, sir.

The CHAIRMAN. We will be glad to hear you.

Mr. GOULD. I don't know that there is very much that I need to say to this committee about the agricultural situation. I think you know that situation just as well as I do. The farmer is hit perhaps worse than any other class, and his condition does not seem to be getting any better. I was over at the farm-hands' dinner yesterday, at which an Englishman spoke, and one man said that he would like to know about English agriculture. The Englishman said, "I think English agriculture is just exactly like American agriculture, only worse." So I would say about agriculture this year that it is just like it was last year, only worse.

The prices which the Middle West farmer receives for his products are less than they were a year ago, with the possible exception of some of the more unimportant things, like wool and sheep. Hogs are $2 lower than they were a year ago, and wheat is 20 cents a bushel lower; so is rye. Corn is about 2 cents lower, and oats about the same. So that the condition of the farmer is really worse than it was a year ago.

The great difficulty is the spread, as you all know very well indeed between the prices that the farmer gets for his stuff and what he has to pay. He is buying his goods in the most highly protected market in the world, and he is selling his goods in an unprotected market, the result being that he is losing money.

Senator GOODING. Well, now, let us see about that. Tell us what he is selling in an unprotected market and what he is buying in a protected market, will you?

Mr. GOULD. Well, he is buying everything he buys in a protected market. We will admit that.

Senator GOODING. We will not.

Mr. GOULD. And he is selling everything he sells in an unprotected market.

Senator GOODING. No; his lumber is on the free list, his shingles are on the free list, his barbed wire is on the free list, his farming machinery is on the free list, his coal is on the free list, his cement is on the free list, as far as the interior is concerned. There is not anything much that the farmer buys that is not on the free list. There is not anything that he sells that there is not a protection on. The protection on wheat and also the protection on cotton, and one or two other things, does not help him, but practically everything that the farmer grows, that the farmer sells, has got a very high duty on it, and practically everything that he has to buy, outside of his clothing, is on the free list. Has been so under the Democratic administration and is at the present time.

Mr. GOULD. What you say is true. There is some of it on the free list that he has to buy, and he has some protection on what he sells; but being as he is a producer, an exporter of his surplus, he does not get very much advantage of the tariff.

I would have this to say, that the farmer is in a bad condition, and I believe this bill will help him, and the quicker it is put in operation the better. The patient is sick.

Senator RANSDELL. Will you tell us, Mr. Gould, just how you think this bill will help, and how you reason about it?

Mr. GOULD. I think that the bill will help on the same basis that manufacturers get help. I am told that manufacturers sell their surplus products abroad oftentimes at a loss and hold their home market. In the same way I think we could sell our surplus wheat and pork products abroad at a loss and protect our home market.

Senator RANSDELL. How do these manufacturers hold their home market for their products?

Mr. GOULD. Well, they export their surplus. It is the surplus that causes the difficulty. It may not be much, but even a small surplus of a farm product like wheat would lower the price on the rest of the crop, and if we would send out the surplus, then the people would think that there was a scarcity, and would bid up, and pay up to the duty mark. I think in the question of wheat the very first thing we would have to do would be to raise the duty to say 50 cents a bushel, and that will keep out the Canadian wheat and other wheats which might come into this country. And then the people of the United States would see, when you began to ship out wheat, that it might be a little scarce, and they would think they had better get in and buy.

Senator RANSDELL. Is it the tariff duty, which is pretty high, I rather think, on a great many manufactured commodities, that permits the manufacturers to handle and hold the home market, being obliged to export only their surplus?

Mr. GOULD. I think it is.

Senator GOODING. Well, do you not think it is organization on the part of the manufacturers?

Mr. GOULD. That helps also; yes, indeed.

Senator SMITH. Well, let me ask you this question right along the line that Senator Gooding indicates. If you had an absolutely prohibitive tariff on imported wheat, and the farmer had no organization, and simply sold his wheat at the dictate of the buyer, do you think the tariff would do him any good, or do you think it would do him much good?

Mr. GOULD. I think the tariff will not do him any good unless he can get the surplus out of the country.

Senator SMITH. Suppose he had the surplus out of the country, and suppose every farmer was a bidder against his neighbor in going on the market, what good would that do him?

Mr. GOULD. Well, I think organization would help, but I think the price would go up whether there was any organization or not, if the surplus went out of the country.

Senator SMITH. Well, we have got a condition right now that I think very happily illustrates the question of surplus. The production of our cotton in the South is analogous to your production of wheat in the West. We now have not only no surplus, speaking of the markets, but we have a deficit. We are actually short, the world is shorter on cotton.

Mr. GOULD. Yes, sir.

Senator SMITH. Now, we are faced with the startling fact that cotton is going right down, because the price of it is being named by the organized purchasers, while the disorganized producer has got to stand and deliver.

Mr. GOULD. I think your illustration of cotton would hardly hold with products that are in more common use.

Senator SMITH. There is nothing on God's earth in more common use than cotton.

Mr. GOULD. But there are a great many buyers of wheat and wheat products, and many mills and many bakers, and there are not very many mills that buy cotton. That is the point I have to make. That your purchasers are large mills in the East here, and they can organize together against the growers, and it makes considerable difficulty.

But now take wheat, when we send out the surplus. Here are two or three, up to 100 bakers, and more, perhaps, in every town and city in the United States. These bakers say, "the surplus is gone. Now the price is going to go up. I guess we had better go in and buy some flour." I know what I am talking about. In our little town we have four bakers. Whenever they begin to think that there is going to be a shortage of wheat these bakers buy 2 or 3 or 5 or 10 or up to 20 cars ahead, and get the wheat on hand. That, of course, takes up the surplus very quickly, and the price advances.

Senator SMITH. Well, is it not your opinion—you seem to have had some experience with it—that if there was a system by which the farmer could finance his wheat in his own hands, so that he could meet the obligations incurred in its production, and then distribute it without distress by virtue of the loan he has got on it, over the period of marketing, that that would be helpful?

Mr. GOULD. That would be very helpful I would think, Senator. Organization of any kind among wheat growers or cotton growers is certainly very helpful. But I don't believe we could get any very high prices on wheat, especially as long as there was a surplus in the country, and as long as every miller and every baker knew there was a surplus. I take it that this bill provides for getting rid of the

surplus, and if we can get the surplus out of the country, then everybody is more or less disturbed about the price going up.

Senator GOODING. Well, this bill goes further than that, does it not? This bill fixes the price on it?

Mr. GOULD. I don't know.

Senator GOODING. You are talking about the McNary bill now, are you not?

Mr. GOULD. Yes, sir. I know the bill in a sort of a way fixes the price, I guess. That is to say, the Government goes in and buys what they consider the surplus at a certain ratio price, and that in a way would establish the price, although the price might not always be that. It might go up above or it might go down below, somewhat, that ratio price. I think that would be a matter that would depend pretty largely on the commissioners as to how they would handle that.

Senator JOHNSON of Minnesota. Mr. Witness, if I understand you right, you think then that if the grain exchanges in this country, or the men that are buying wheat, for instance, find that the surplus is gone, in order to get the grain they will bid up?

Mr. GOULD. I think so, Senator. I think they will bid up as high as the tariff wall.

Senator JOHNSON of Minnesota. Are you familiar with the price of grain during the last 25 years in the United States, comparing the price in the fall when the farmer is rushing everything on the market, with the price in the spring? Do you know the difference in the prices?

Mr. GOULD. No; I can not give that offhand.

Senator JOHNSON of Minnesota. The records show that the prices in the fall have been higher than in the spring.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. That shows that they know what they have got in the country.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. And it does not make any difference when it comes, if it is there they know they are going to get every bushel; they see that. It does not make any difference. If you let the surplus get out of this country we may lose on the surplus, as Mr. Jewett says, as much as 25 cents a bushel. That would have to be taken off from the set price received. That is your opinion, too?

Mr. GOULD. Yes; that is my opinion. But I don't agree with the idea quite, that this bill sets the price. It is not just exactly the same as the price-fixing bill. All this bill does, as I take it, is to determine about what wheat ought to be worth by comparing with previous years, and the purchasing power of the farmer's wheat dollar. When they have determined about what this price should be, as I understand this bill, this committee will go in and buy the surplus and ship it out of this country. And when the surplus is out, then the price might be bid up considerably higher, it seems to me, than even the ratio price. I do not see any reason why. I think the price might go up to the import price. Now, for example, suppose wheat was worth $1.50 a bushel according to the ratio price, and our Government should go in and buy the surplus at $1.50 a bushel, and then there should be more or less of a world shortage. Canada might not have very much wheat to ship in, and Canadian wheat might go up, say,

to the price of $1.25. Then, with our surplus out of the country, it seems to me there is no reason why the price should not advance up to the importing price. Or if the surplus of Canada should be very great and the world price very low, later on, even after our surplus was out, the price might come down even below the ratio price somewhat. So I think I am right in saying that this bill is not a price-fixing measure. This bill simply provides that we shall take the surplus out of the country, and then let it take its own course.

Senator JOHNSON of Minnesota. But you agree, Mr. Witness, that it is a bill to stabilize the price by bringing it up to compare with other prices, and you are also familiar with the fact that this organization will go out of business just as soon as it is through, and if it falls below, then they are again helping it to come up.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. So don't you agree that it helps to set the price, to some extent?

Mr. GOULD. Yes, without doubt. I would say that the principal function of this bill is to relieve the country of its burdensome surplus, and let us stop it right at that point. Let us not say that it is a stabilizing bill, nor that it is a price-fixing measure, but that it simply takes the surplus out of the country the same as the manufacturer gets rid of his surplus.

Senator JOHNSON of Minnesota. Well, the manufacturer quits producing also to some extent; you know that.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. And you would like to see the farmer do that, I suppose, too?

Mr. GOULD. Yes, I certainly would; but it is pretty hard to do with a large unorganized mass such as we have.

Then there is another thing in that connection. Whenever the farmers change the amount of stuff that they are producing it hurts some other section. For example, the North Dakota people raise fine hard wheat; there has been a great hue and cry that they should diversify and diversify. I doubt if that is the thing that they should do, because if they diversify and raise a lot of corn they are going to hurt us people down in Illinois.

And another thing. I have traveled in the Northwest the last year or two, and they are preaching everywhere: Dairy products. Go and get some cows, go and get some cows and produce a lot of milk and butter. Well, if all of the States are going to do that, such as it seems to me that they are wherever I have been, out in Nebraska, and in North and South Dakota, and Minnesota, what is going to become of the dairy business in Illinois and Wisconsin and Michigan and northern Indiana? I think that the Northwest, North and South Dakota and Minnesota, that can raise that fine hard wheat, that fine grade of hard wheat that we so much need in this country, should keep on raising that kind of wheat.

Senator HARRISON. Mr. Gould, may I ask you this question. In fixing the ratio price here it says, "Each such average price shall be the average of the prices for such commodity attributable to such months for the period 1905 to 1914, inclusive." And then when they get the average, that shall be the ratio price, I imagine. Have you figured, say on wheat, what that would make the price of wheat to-day, figuring on that basis of average price from 1905 to 1914?

Mr. GOULD. I think that has been figured, and it has been said to be about $1.65 in Chicago, although I have never figured it.

Senator HARRISON. $1.65?

Mr. GOULD. Yes. That would make it about $1.50 out in the Northwest.

Senator HARRISON. It is pretty well agreed that that would be a just basis, is it?

Mr. GOULD. Yes, I think so. I just wanted to finish my answer to Senator Johnson about that northwestern wheat that you raise up there. We are now importing that hard wheat above a 30-cent-a-bushel duty from Canada, because we need it in this country, and I think that the Northwest should continue to grow that fine grade of hard wheat, and if there is any curtailment of the production of wheat it should be on the soft wheats down in Kansas and Nebraska. But we need the hard wheats. We have got to have more than you raise in the Northwest. We never export any of that hard wheat, and we are always importing something from Canada, and this year we have imported a lot above a 30-cent duty.

Senator JOHNSON of Minnesota. Well, you can not expect them to raise wheat unless they get paid for it.

Mr. GOULD. No, that is right.

Senator JOHNSON of Minnesota. They lost money the last two years.

Mr. GOULD. Yes, I know you have. The difficulty, of course, is that you had such a burdensome surplus of the soft wheat, Senator. That is what hurt your price of the wheat in the Northwest, is because of the burdensome surplus of Oklahoma and Kansas wheats.

Senator RANSDELL. If this corporation cooperating now should get hold of the surplus and export it, what amount of loss in dollars do you estimate it would mean to the Nation?

Mr. GOULD. You say if it did not go into it?

Senator RANSDELL. No, if it did purchase the surplus and export so as to relieve the country of the surplus?

Mr. GOULD. Well, normally we would import somewhere in the neighborhood of 100,000,000 bushels, and the loss on that might be 50 cents a bushel.

Senator SMITH. Do you know what is the relative decline in flour as compared with the price of wheat?

Mr. GOULD. Well, it is not as much as the price of wheat, because the milling costs are a little higher, you know, on account of the high price of labor that runs the mills, and the high price of coal, and their organization.

Senator SMITH. Well, does not the same obtain in reference to the farmer? He pays a high price for his labor; he pays a high price for the things he has got use.

Mr. GOULD. Unfortunately it is true, but the mills can control their price, the relative price, and the farmer is unorganized and unable to do that.

Senator SMITH. Well, the mills find themselves faced with the same surplus that the farmer does?

Mr. GOULD. Yes.

Senator SMITH. And the price of wheat has declined by virtue of that surplus?

Mr. GOULD. Yes.

Senator SMITH. And yet the price of his flour does not decline in proportion to the price of the wheat he buys?

Mr. GOULD. Yes.

Senator SMITH. To what do you attribute that? To organization?

Mr. GOULD. Organization of the miller. I want to make myself clear that I am very favorable to the farmers' organizations of every kind, sort, and description. It makes it better.

Senator SMITH. It is not a question of what we are favorable to. It is a question of what the conditions that have existed for all these years inexorably point to as a solution of the problem.

Mr. GOULD. Yes.

Senator SMITH. If all of the businesses have found a solution and are not coming to Congress for aid they must have satisfied themselves that they are in a position in the exigencies to take care of themselves.

Mr. GOULD. Yes.

Senator SMITH. Now, out of their experience what can we gain to put ourselves in a position to protect ourselves as they are protecting themselves?

Mr. GOULD. If the farmers were a small group and were highly educated and able to do business the same as the business group of the country is there would be no need of this kind of a law. But the farmers are a great mass—I don't know how many millions, but 37 per cent of the population of the United States are farmers. They are more or less ignorant. Compared with the business people they are very greatly in ignorance.

Senator SMITH. That is, as to business methods?

Mr. GOULD. Yes, sir. And it is impossible for them to get together in a class organization and protect themselves. Therefore they should be helped by the Government to a greater degree than the other people are.

Senator JOHNSON of Minnesota. Yes; but, Mr. Witness, if I understand the bill right, the Government is not going to help us through this bill. We are to help ourselves.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. Now, for instance, when you talk about this great surplus, suppose next year, 1924, we will raise 200,000,000 bushels surplus in the United States, and Canada on top of that will come with a big surplus, and the Argentine and other countries south of us. They will throw their surplus on ours. Now, suppose you ascertain the ratio price between 1905 and 1914; well that will be, let us say, one and one-half, as Mr. Jewett said the other day. Now, in order to get one and one-half that will be after the surplus is taken care of. Supposing then we have to meet the world's surplus, other countries' surplus on the world market, we may have to lose 50 cents on the bushel. So that may be thrown back on us again. So if we are going to help ourselves under this bill we will have to do it ourselves.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. Now I think we all agree that the farmers' organizations are all right.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. If we can control, you understand and stabilize the price as the others are doing. That is what we

have been asking the Government to do, to stabilize the price for the farmer for two or three years under other bills that you probably have heard of.

Mr. GOULD. Yes.

Senator JOHNSON of Minnesota. What I want to draw out of you is this, Mr. Witness, that under the McNary bill, if it is enacted into law, we are doing it ourselves. The Government is not going to do it. But the other fellows are doing it themselves. They can stop production, and so on. Of course in a way we can do it ourselves.

Mr. GOULD. You are right in a way, as I understand it. The McNary bill is not going to be a charge on the Government.

Senator JOHNSON of Minnesota. And another thing that you talked about, that we buy in a protected market, and so forth. You are right, but I think Senator Gooding was right when he mentioned these things on the free list. The trouble with us is this—I hope you agree with me—that we buy in a retail market and we sell in a wholesale market. Do you not agree with me on that?

Mr. GOULD. Yes, surely.

Senator HARRISON. Unfortunately I did not hear Mr. Jewett. I presume he gave the average price of more staple products than just wheat. What did he say was the average price of cotton from the year 1905 to 1914?

Mr. GOULD. I am unable to answer that.

Senator HARRISON. Was that placed in the record, may I ask the Chairman?

The CHAIRMAN. No, it was not, Senator.

Senator HARRISON. Well, in the consideration of the bill we should have the figures.

Senator JOHNSON of Minnesota. You could ask him now, Senator. He sits right here.

The CHAIRMAN. He will be on the stand again.

Senator HARRISON. Does not the committee think that we should have the department's figure on these various products, and have them give us just what would be the average on these things? The average price on cotton may be 15 cents. Cotton is now 33 cents, somewhere along there. And whatever price is fixed is going to have some effect on the price of the thing in the current market today. And I judge it ought to be in the record somewhere. We should have this information from some of the departments.

Senator SMITH. I am sorry that I could not be here on account of other duties. But let me understand this situation. In fixing your ratio price does it mean the ratio that the present price of a given commodity bears to the things that they buy now, if taken as the standard by which to work in the ratio, or what the price of the commodity was in relation to the things bought in the period that they are going to take as the period of comparison? To illustrate: The relation of the price of wheat to the things that the wheat grower bought, say, in 1904 or 1905 and compare that ratio now and hold it at that. In other words, if the purchasing power of the dollar obtained from wheat in 1905 was 80 or 90 cents, bring the price of wheat up now to where it will have the same purchasing power in these same commodities?

Mr. GOULD. That is the intention of the bill.

Senator HARRISON. Well, we ought to have the figures of that ratio price so we will know about that proposition.

The CHAIRMAN. I do not think this witness is qualified to give that. Perhaps the next witness, who is the Commissioner of Agriculture from the State of Montana can tell us about that. And Mr. Jewett will also be on the stand. I think he can answer all those questions.

Senator HARRISON. Well, the most authoritative information, of course, will be that compiled by the department, and before I should vote a proposition fixing the ratio price I should like to know what the departments would say.

The CHAIRMAN. The only man from the Department of Agriculture has been the Secretary himself. He could not give us that information. Mr. Brandt, one of the people who drew the McNary bill has not been here yet. I suppose he will testify before we get through.

Mr. JEWETT. May I say for the information of the Senator, that the record now contains the figures that you ask about on wheat. I asked that they be put in the record. And the other figures are being prepared now.

Senator SMITH. Mr. Jewett, I would like to ask you if you can tell without turning to the record—if you can not answer it, all right—what was the purchasing power of the wheat dollar at the period to which you referred as compared with the purchasing power of the wheat dollar now?

Mr. JEWETT. The purchasing power of the wheat dollar 1904 to 1915 as compared to now? I don't quite analyze the Senator's question. In other words, how many commodities it would buy in 1904 to 1915?

Senator SMITH. Yes.

Mr. JEWETT. It is our understanding from the department that the purchasing power then was on a parity with other commodities. In other words, it would buy its full ratio, practically 100 per cent.

Senator SMITH. All right. What will it do now?

Mr. JEWETT. At the present time it is right around 60 per cent, speaking offhand.

Senator SMITH. Very good. It is easy now mathematically to say that you would either have to bring down the other commodities 40 or raise wheat 40.

Mr. JEWETT. Very obviously.

Senator SMITH. That is what I wanted to get.

The CHAIRMAN. And this bill proposes to raise wheat.

Senator SMITH. This bill proposes to raise wheat, exactly, 40 per cent.

The CHAIRMAN. And any other commodities to which it applies.

Senator SMITH. Raise the present price 40 per cent.

The CHAIRMAN. Are you through, Mr. Gould?

Mr. GOULD. I just want to say one more word to the committee, and that is this, that conditions in agriculture are bad, and it looks to me that they are growing worse, and I believe this bill will help, and he who gives quickly gives twice. And if you can get this bill passed quickly you will be helping that much more.

Senator RANSDELL. What produces these bad conditions in agriculture, in your judgment?

Mr. GOULD. Well, I think it is the ratio between what the farmer buys and what he sells. In the pre-war days things were along just about a certain level, about like my hands are. [The witness held both hands level at his waist.] And then came the war, and everything went up, and they went up like this, both together. [The witness raised both hands above his head.] Agricultural products went up and everything else went up, and they were on a level again just the same as they were before the war, but up here. And now came the deflation. And let this hand represent the farmer; it dropped down below the pre-war price, and the manufactured articles which were held up by organization and by tariffs and other things stayed right up there, and you had the farmers' price below pre-war basis, and the manufactured goods practically at pre-war basis. This great gap here is what is causing these hard times among the farmers. And either this man has got to come down or this man has got to go up, so as to get back to the same basis they were on before the war.

Senator RANSDELL. And did the high prices prevail among the manufactured commodities whether they were protected by the tariff duties or not?

Mr. GOULD. I think to a greater or lesser extent they did, although I think the more highly protected ones got a better price.

Senator RANSDELL. This protection held up the prices, but manufacturers, because of the organization and the smaller number of people engaged in the industries have held together and kept up a high price?

Mr. GOULD. That is true.

Senator RANSDELL. The farmer could not have any organization, so he got it in the neck.

Mr. GOULD. Yes. For example, to-day you go out in any little town or little city. They are prosperous there, and the farmers just over the line are hard up. Even in the Senator's State up in Minnesota, and in North Dakota, the towns are not so hard up. You will find they are doing pretty well in the towns. You will find the doctor doing pretty well, and the lawyer doing pretty well, and the barber doing pretty well. In other words, the barber, to give a common illustration, during the war times put the price of a haircut up to 50 cents, and then the farmer was getting $2 for his wheat. But to-day you go into that barber shop and you still pay 50 cents for getting your hair cut, and the wheat is down below a dollar.

Senator JOHNSON of Minnesota. Oh, they put it down a little bit in our State. It has now come down to 40 cents.

Senator RANSDELL. But not in proportion to the fall of the price of wheat; is that not true, Senator?

Senator JOHNSON of Minnesota. Yes.

Mr. GOULD. And the same thing is true with the dentist. I have a brother-in-law who is a dentist, and I know that during the war the prices charged by the dentist doubled. I asked him some time ago if he had come down in his prices since the war. He said, "no; we are holding them right where they were."

Senator SMITH. Now, is it not because somebody has got to maintain not the high cost of living, but the cost of high living? Somebody has got to support it.

Mr. GOULD. Yes. The whole thing is this, that these other people that you are talking about are organized. The city people are organized. The dentists are organized, the barbers are organized, the coal miners are organized. And they hold these prices up. The farmers are more or less organized, but it is a very loose, wide sort of organization that does not amount to very much.

Senator JOHNSON of Minnesota. Mr. Witness, before you close I want to ask you if you agree with me in this? Suppose this bill, or any other bill, will put us on a level.

Mr. GOULD. Even them up?

Senator JOHNSON of Minnesota. Yes; even them up. Who is going to pay the loss that the farmers have suffered; who is going to compensate them for the loss that they have had in the last three years? Are you going to turn them away and not compensate them at all?

Mr. GOULD. I don't see where this is going to compensate for the loss that has gone by. I don't think anything can be done to compensate them for the loss that has gone by.

Senator JOHNSON of Minnesota. Do you not think that if we had a price stabilization where the farmer can be put on his feet through a price stabilization that that would bring him back so that he could get a little of that back?

Mr. GOULD. Yes. My judgment is on that, Senator, that it would be very hard to get such legislation through, even if it were desirable, and I feel that in this bill you should stay away from the notion of price stabilization, and that you should stay away from Government in business, and that you should stay away from price fixing, because if you get those things too broadly established——

Senator JOHNSON of Minnesota. Are not the railroads allowed to get a fair return for their business, for their labor, under the Esch-Cummins law? Are they not taken care of? Are not the bankers going to be taken care of? Four went up the spout in New Mexico again yesterday. Why should we not be taken care of?

Mr. GOULD. I think this bill will help.

Senator JOHNSON of Minnesota. Yes, this bill will help, but will it put us back?

Mr. GOULD. This bill, with more organization, will bring the farmer back.

Now before I quit I want to say this, that I don't think the farmer is altogether hopeless. One million two hundred thousand farmers left the farms last year. My guess is that there are going to be 2,000,000 farmers leaving the farms this year; more this year than last year. There has been a curtailment of acreage, and it would not be surprising if we were on a domestic basis quicker than they think. We may be importing wheat and other things in this country within a very short time. And we may be surprised at how quickly that will happen. I believe that the future of the farmer is fairly bright, and that he is going to come back into his own. These great organizations are getting better right along. These very hard times that we are now going through force the farmer to organize, and as he becomes better organized, and as such bills as this go through to help him, his condition will improve. This bill is not a Government subsidy. This bill is not a bill where the Government is getting right in and giving the farmer something. Whenever you get to doing that, then the East will simply rise up. They do not believe in it. But

they can not say very much against this bill, because this bill pays its own way. If there is a loss here the loss is settled right back on the farmer, and he pays the loss, so they can not say very much about this. This is simply an expedient. The Government is assisting. The Government is making the machine for us to work. Thank you.

The CHAIRMAN. Mr. Davis, of Montana.

STATEMENT OF C. C. DAVIS, COMMISSIONER OF AGRICULTURE OF THE STATE OF MONTANA, HELENA, MONT.

The CHAIRMAN. Will you give your name, your residence, and your business, Mr. Davis.

Mr. DAVIS. C. C. Davis, Helena, Mont.; commissioner of agriculture of the State of Montana.

The CHAIRMAN. How long have you been such commissioner?

Mr. DAVIS. Three and a half years.

The CHAIRMAN. What were you doing prior to that, Mr. Davis?

Mr. DAVIS. I was the editor and manager of the Montana Farmer, farm and livestock paper, in Great Falls, Mont.

The CHAIRMAN. You are commissioner under a State law providing for that office?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. What are the duties of your office?

Mr. DAVIS. They are rather general, because our department of agriculture, Senator, embodies a number of divisions which were consolidated when Governor Dixon became Governor of Montana.

The CHAIRMAN. I do not expect you to give that in detail. Just generally.

Mr. DAVIS. General supervision of State activities affecting agriculture and labor.

The CHAIRMAN. Were you raised on a farm yourself?

Mr. DAVIS. In Iowa; yes, sir.

The CHAIRMAN. When did you go to Montana?

Mr. DAVIS. I went to Montana in 1911, July 1. Prior to that time I had been in South Dakota. I used to run a paper in Senator Norbeck's home town, Redfield.

The CHAIRMAN. All right, that gives your business rather fully for the record. Now go on and tell us about this bill.

Mr. DAVIS. I want to add one further word in presenting credentials, Senator, that I am not here as a State official, but as a representative of certain organizations that have studied this agricultural relief measure, and asked me to come down here at their expense to see what I could do to express their attitude.

The CHAIRMAN. Well, now, tell us what those organizations are.

Mr. DAVIS. The Montana State Farm Bureau, the Montana State Farmers' Union, the Montana Wheat Growers' Association, the Montana State Bankers' Association, and the Montana Retail Merchants' Association organized an export commission league and have held something like 50 meetings over Montana, getting a general reaction from the public on this proposed measure, and it is rather as the representative of that export league that I am here than as a State official.

In the northwest—and what I have seen convinces me that the same condition is true in the Corn Belt States—the root of our agricultural trouble, as the previous witness explained, is the relative price of farm products; that is, our major farm products.

The farmers have been diversifying out there just as rapidly as it can be safely done, in my judgment. An evidence of that is the fact that in 1923 the butterfat production in Montana increased 40 per cent over the butterfat production in 1922. At the same time our corn acreage has expanded in the last five years from approximately 100,000 acres to 350,000 acres, in five years' time.

Senator GOODING. In corn?

Mr. DAVIS. In corn. We will have this year pretty nearly a 10,000,000-bushel corn crop. When the figures are complete for last year the corn production will stand at approximately 9,000,000 bushels. And at the same time we produced in Montana the largest wheat crop we have had in the history of the State, approximately 53,000,000 bushels of the best hard milling spring wheat grown in the country. That includes a portion of winter.

Notwithstanding that production, which indicates that the farmer is doing his best to meet this situation, there has not been any improvement in the agricultural situation. There has never been a time in the memory of the residents of Montana when the situation has been as tense or as grave as it is at the present moment. The farmer is in the front line trenches, so to speak, but now the losses have passed on into the second and third line trenches. That is, the banks and mercantile establishments. And the failure of 125 banks in the State, as has been presented before your committee, and the general demoralization out there, point to a condition which I want to analyze here. And in approaching this I want to use generally the line of reasoning that has been followed out by the farmers in Montana in reaching the position that the plan proposed under the McNary bill definitely affects the real fundamental trouble, as we see it there.

I am sorry that Senator Smith is not here at this moment, because I wanted to discuss one point that he raised before I got into this measure. That is: Why is it that the cooperative organizations of the farmers can not do this job for themselves the same as business has been able to do it for industry? We have in Montana the most successful wheat-marketing organization in the United States in the Montana Wheat Growers' Association, of that character. It applies the commodity pool plan to the marketing of wheat, and has approximately 11,000 members, and has handled this last year about six to seven million bushels of wheat. So I say this in an understanding of their operation, and in complete friendliness to their plan. A cooperative organization could only in imagination embrace 100 per cent of the wheat producers. But let us assume that you are able to get 75 per cent of the wheat producers into the cooperative organization, and attempted to do what is proposed in this bill, that is, segregate the surplus from the amount which your home market is ready to absorb at a fair exchange value, and place the loss back upon the members pro rata. You would have this condition. The operation of your cooperative organization there would serve to raise the whole domestic price level to every wheat grower, whether he was inside or outside of the organization, but the costs would go back to the members of the organization only. So that your members of the organization would be at a relative disadvantage com-

pared with your nonmembers, and that would be the element which would result in the destruction of your cooperative organization which attempted this task.

The CHAIRMAN. In other words, the man outside of the organization would make more money than the man in?

Mr. DAVIS. Yes; by reason of the activities of the cooperative organization.

The CHAIRMAN. Exactly.

Mr. DAVIS. And we know that is frequently true in cooperative organizations as we have them right now. I wish to make that point for Senator Smith, because he raised it, and I think that is an important one to consider.

Senator GOODING. I think that the Senator discussed those things along the line, though, that you would have practically all the producers in the one organization. I think that is his thought in that connection, that you must have them all in.

Mr. DAVIS. As a practical proposition, Senator Gooding, from your knowledge of your wheat section you know that would be a very hard thing.

Senator GOODING. An almost impossible thing to do.

Mr. DAVIS. Yes, an almost impossible thing to do.

The CHAIRMAN. Well, it would be an impossibility, because one man who stayed out would make more money than his neighbor who went in, and it would be an inducement for him to stay out.

Senator GOODING. In the farming business as well as in anything else there is always some one who is willing to let the other fellow pack the load; who not only is not willing to help pull the load, but who gets on and rides, and even drags his feet and raises up as much dust as he can and delays the game.

The CHAIRMAN. Yes; that seems plain to me.

Senator GOODING. Yes.

Mr. DAVIS. Now coming to this question of relative price, I want to refer as a starting point to a statement made by a very eminent gentleman who had come out through our country to consider agricultural conditions, when he reported to the President that the price of wheat was higher than it was before the war. Now that is a very misleading statement.

The CHAIRMAN. Who made that?

Mr. DAVIS. Eugene Meyer. That is a very misleading statement for this reason, that price properly considered is a relative term. The dollars and cents price is not what interests the farmer. It is the exchange value of what he grows. That is, its debt-paying power, its purchasing power expressed in the terms of commodities and transportation and labor. And it is fair to consider as a starting point whether the farmers and their products are now enjoying a fair exchange in terms of commodities, and that is exactly what this bill aims to reach.

The other Senator who left raised the question of the figures on wheat. I have them before me, and with your permission I will very briefly illustrate that point in terms of wheat. Now if wheat had had the same value in relation to the general commodity level that it had for the 10 years 1905 to 1914 inclusive, it would have sold in January, 1923, at $1.67, Chicago. That is for an average of No. 2

red winter and No. 1 northern spring on the Chicago and Minneapolis markets. As a matter of fact it sold for $1.23. Approximately 45 cents loss, you might say, to the man who grew the wheat below what he would have had if he had been selling under pre-war conditions.

Senator GOODING. As I understand it, those who have been working on the bill have figured that in the 140 years this Government has been in existence we have established a ratio as between agricultural labor and the great industries.

Mr. DAVIS. Yes.

Senator GOODING. And what this bill proposes to do is to take that ratio that has existed, taking the time 1905 to 1914, and using this as the basis?

Mr. DAVIS. Yes.

Senator GOODING. And to make that the purchasing power of farm products?

Mr. DAVIS. Yes. And in the case of wheat it would have amounted to from 45 to 60 cents a bushel general raise during the year 1923 over what the wheat actually sold for, which I think effectively disposes of any belief that we are getting a higher price for the wheat now, or the same price that we got before the war.

Now interpreting that over to what the corn belt man is interested in, the same relationship equally disastrous to agriculture obtains for the hog man, when the Chicago price for hogs during the last year ranged from $4.50 to $5.50 a hundred pounds lower than the hogs would have sold for if they had had the same relative purchasing power that they had for the 10 years prior to the war. Now I am speaking for a good deal wider field than any personal judgment, the judgment of the people out in the northwest, and we have evidences that it is the judgment of the people in the corn belt—that judgment is that no proposed relief measure that does not attack this vital problem will do the job that the farmers have to have done.

Senator GOODING. Let me ask you, Mr. Davis, how long have you lived in Montana?

Mr. DAVIS. About 12 or 13 years.

Senator GOODING. Are you familiar with the country of eastern Montana and North and South Dakota?

Mr. DAVIS. Yes.

Senator GOODING. You think you are familiar with it?

Mr. DAVIS. Well, I believe I am quite familiar with it; yes, sir. And I wanted to refer to a condition there in discussing credit legislation at this time.

Senator GOODING. Yes; I would be glad to hear that.

Mr. DAVIS. This is a problem that can not be cured by any extension of credit, or it can not be cured by any alleviation of credit rates even though that would, of course, be a help, because those things do not attack this fundamental problem. And I would say in the terms of the farmers out there that what we want is something that enables us to get out of debt, rather than something that enables us to become further indebted, and as a practical application to that section you referred to, I think it is out of reason to expect that you can wave any magic wand over those prairies that are organized

by nature and by man for a certain type of farming, in which wheat must continue to be the major cash crop, and transform them in a short period over into something which they are not. And the previous witness very plainly pointed out the disaster that might attend a wholesale shift in production from one field over into another. In other words, if we are able to accomplish that, the result might be damaging to a line of agricultural production which is now relatively prosperous, without at the same time increasing the prosperity of our wheat farmer, which is the intent.

Senator GOODING. They need not be alarmed about that. That is impossible up in that country where this aid is going to. I am familiar with it, I know it, and I have lived a long time in my own country, which is similar to yours. But I am afraid that any movement of this kind might do more harm than good. People will get in debt. There will be a lot of enthusiasm raised. There is not any doubt in my mind, Mr. Chairman, that there has been an organized effort on the part of the people in the Northwest, the great interests, as we call them in the Northwest, to put over the Norbeck bill in order to divert the attention of the people from the real trouble. There is not any doubt about that in my mind, and that when the people get wakened up to that out there I know they will not be for it, and I know they are not for it to any great extent. And I know from what the witness has said and from my own experience in farming out there for a lifetime, that if you can relieve the one great condition out there, the situation of the wheat grower, you will solve all the trouble out there, and you can not solve any of them until you do. Do not let us make any mistake about that.

Mr. DAVIS. Relatively one is scratching on the surface and the other is striking at the fundamentals of our difficulty out there, and that is realized by the farmers, and it is realized by the business men who have studied this equally, at the present time. I do not think that the same view of it has extended as far East as it will later.

Now, I have not attempted to go into the question of the condition of the farmer particularly, because you gentlemen are as well aware of that as I am, and there is no use of illustrating that further. I simply wanted to touch upon the condition, then the cause, and pass on then to a discussion of what there is that underlies this difference between the low price of your farm product in relation to the general cost level in the United States.

Now, people have said to me, and you have heard it, that you can not do anything for the farmer by legislation; that he has got to work out his difficulties himself. And that reminds me of an application of the principle to the field of agricultural economics we used to hear in the field of sanitation and human health. And yet the view has long since been abandoned that when there is a diseased condition existing in the field of sanitation and human health you can not do anything for it; that you have just got to let the patient recover or die. And the same thing is true in the field of agricultural economics. If you can detect a diseased condition, then it is the responsibility of men who are temporarily in positions of leadership and power to attempt positive action that will relieve that pathological condition. And if they do not, I would say that they ought to get out of the way and let some people get at it who can.

Now, in assuming that this price condition exists that I have described briefly, the cause, I think, is found in the fact that we are living in an artificial age in the United States, where we have various forms of protection—protection under a protective tariff, protection under restrictive immigration laws, protection for transportation under the Esch-Cummins Act, protection by organization that is effective in maintaining a price level which the Department of Labor index shows is approximately 60 per cent above the 10-year pre-war period.

Senator GOODING. That is taking all classes of labor, is it not?

Mr. DAVIS. Farm labor?

Senator GOODING. The farm labor, is that 60 per cent?

Mr. DAVIS. Not quite. It is lower, though, in relation to other labor, just as the farm products are lower in relation to other products.

Senator GOODING. You say 60 per cent. I have been working on that considerably. I find that in the railroads the labor is 120 per cent above pre-war. and in the shipyards 110 per cent. The farm labor, I thought, was about 60 or 65 per cent.

Mr. DAVIS. Let me explain my point. When I said 60 per cent above, that referred to the general commodity index of the Department of Labor, based upon over 400 of the commodities weighted and averaged.

Senator GOODING. Yes; that is the purchasing power of labor that you are talking about now?

Mr. DAVIS. No; that is the purchasing power of commodities. Now, the purchasing power of labor is still higher than that. The purchasing power of labor, as judged by the labor index, is higher than the general commodity. So, relatively, labor is in a favorable strategic position at the present time.

Senator GOODING. Yes; I understand.

Mr. DAVIS. Now, this bill intends to apply the principle of protection to agricultural commodities, where protection in the main is a fiction rather than a fact at the present time by reason, as the witness just ahead of me explained, of a normal surplus grown in this country that is in excess of the amount which the domestic market is prepared to absorb at a fair exchange value. And the existence of that surplus, which must be sold abroad at the world price level in competition with the products of countries with a lower standard of living, with lower wage-earning power on the part of the laborers, it must be sold abroad there on that world price level, passing right through a tariff wall which in this kind of commodities is more of a paper thing than it is an actual thing, generally fixes the domestic price level so it leaves the producer of these basic farm commodities in this position. He is buying his labor and his commodities and his transportation on a sustained, protected, domestic price level and selling his whole product on a world price level, creating a condition that is impossible to continue.

Senator GOODING. Well, now, just one moment. The manufacturer is exporting all the time and supports his surplus.

Mr. DAVIS. Yes.

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Mr. DAVIS. Yes.

Senator GOODING. He is exactly in the same position that the farmer is with his surplus, only the manufacturer has got an ogranization, he is able to fix the price.

Mr. DAVIS. He can make the protective tariff effective on the price level of his product.

Senator GOODING. Yes.

Mr. DAVIS. And the same principle applies to the field of agriculture as is applied by a manufacturer in the sales abroad. The same principles that are applied by industry, either a manufacturer or a combination of manufacturers when operating behind a tariff wall, who sell a regular or an incidental surplus abroad at the world price level without permitting that surplus to smash down their domestic price level.

The CHAIRMAN. Now, let me ask you there: This bill doing just what you say it will do, will raise the relative price of the farmer's product up to this level you are speaking about. But in doing that there is a loss on the surplus.

Mr. DAVIS. Yes, sir.

The CHAIRMAN. That is taken out of the farmer.

Mr. DAVIS. Yes.

The CHAIRMAN. So as a matter of fact when he gets through with the entire operation and his loss is taken out, he is not quite up to that level, is he? He is as much below that level as he has to pay loss on the surplus product.

Mr. DAVIS. Let us consider that now again in the terms of the manufacturer. Assuming, Senator, that your manufacturer does what I just described, sells abroad at the world price level in order to sustain a domestic price, he at the same time has taken a certain loss on his product, but he is willing to do that because of the sustained domestic price.

The CHAIRMAN. Well now, he does not lose it himself. He makes the consumer in this country pay that loss, does he not?

Mr. DAVIS. That would depend on his organization and the height of his tariff wall.

The CHAIRMAN. Yes. Oh, yes; he could not go any higher than the tariff wall, I see that.

Mr. DAVIS. Yes; neither can the farmer.

The CHAIRMAN. But the difference is this, as I see it: The manufacturer does not sustain the loss, because he adds it to his price here and the consumer of his product pays it. Now, the loss of the farmer, in the case of this bill, is paid by the farmer himself.

Mr. DAVIS. I think that on close analysis of that point you will find that the situation is quite similar for this reason, that in either event you have taken a loss on what you sold at this level; you have kept the product at the top of the tariff wall in either case. Now, the loss here is absorbed by your manufacturer because he can not raise it above the height of the tariff wall; the loss in the case of the farmer is absorbed by the farmer because he can not raise it above the tariff wall.

The CHAIRMAN. I see that very plainly in the case of the manufacturer he gets it up to the tariff wall. Up to that height he dictates the price that the consumer in America must pay; so he would be foolish indeed if he did not add the loss that he sustained in the surplus that he sold abroad to the price that he compelled the consumer to pay here. But now in this bill the loss that is sutained here by the selling in the world's market of the surplus is sustained in the first instance by this commission—I think you could compare this commission with the manufacturer—but this commission has no power to pass that on to the consumer. It goes on the farmer to pay it.

Senator GOODING. Always will be so, Senator, until the farmer is organized and has the power to pass it on.

Mr. DAVIS. Isn't this true, Senator, that the height of the tariff wall is your gauge in either instance as to whether your comparison is true?

The CHAIRMAN. I admit that, yes. The manufacturer, if the tariff wall were taken down, and the product came in from abroad, would be compelled to take a lower price to meet in competition the product of the foreign manufacturer. But up to that tariff wall they are just alike, except that in the one case the loss is sustained by the consumer, which the manufacturer adds to his product, and in the other case the loss is passed back to the farmer, and he pays it.

Senator SMITH. Let me suggest right there that I think the position taken by the commissioner is correct, because when this price of the manufacturer has gotten up to the top of this wall, if he attempts then to charge back his loss on the exports he will raise it above.

The CHAIRMAN. Yes; I admit that. That is perfectly plain. The tariff wall, of course, will be the extreme extent to which he can go. But up to that he controls the situation, and the farmer does not.

Senator GOODING. There is not any question about it, that in one case the loss is passed on to the farmer, and in the other case the manufacturer, through organization, is able to pass it on to the consumer.

The CHAIRMAN. And that consumer is very often the farmer himself.

Senator JOHNSON of Minnesota. I have to go, Mr. Chairman, and before I go I would like to ask this witness a question. Now, if you through this bill will raise the price on, let us say, wheat, 25 cents a bushel, do you not think that would have a tendency immediately, when that price was set, for everybody else that had anything to sell to Mr. Farmer to raise the price of his product? Even in Wisconsin the dairy farmer was against any raise in the price of wheat. Why? Because in the great State of Wisconsin the dairy farmer said that it would raise the price on shorts and bran used for feeding the dairy cattle in the State of Wisconsin. Now, here is the point, and I want to ask you if you do not agree with me: Will the farmer be in a position to keep up with those fellows? He will be always trailing along, will he not, even if there is a commission under the McNary bill there to help him in the emergency?

Mr. DAVIS. I am glad Senator Johnson raised that point, for this reason, that at the present time there is no relationship between what the manufacturer charges and what the farm prices bring the farmer. I want to illustrate that by what I learned at Billings, Mont., about three weeks ago when I was discussing with the largest implement dealer there some of the general phases of these relative price measures. He drew from his desk two price lists, one for April, 1923, and the other for December, 1923. On a two-bottom plow the price in April, as I recall it, was $90. The price in December was $105. Now, Senator, the manufacturer was raising his price there without any

relation at all to the fact that the farmers' price was going up. As a matter of fact, the farm price in that period had declined. So the point you raise I do not believe is a valid objection to this bill by reason of the fact that other factors rather than the purchasing power of the farmer govern the rise and fall of what we are buying.

Senator JOHNSON of Minnesota. Well, did he state what reason he had for raising the price of that plow from $90 to $105?

Mr. DAVIS. He didn't have any reason. He was just as mad about it as we were.

Senator JOHNSON of Minnesota. Well, if he had that price he could not sell it in December, anyway. He was waiting for the springtime to come to sell it.

Mr. DAVIS. That was the factory price quoted to him. He was not setting the price.

Senator GOODING. Well, there was a 10 per cent raise, was there, in farm machinery?

Mr. DAVIS. That is what he said.

Senator JOHNSON of Minnesota. Well, that was probably because we put a tonnage tax in the State of Minnesota, and they had to soak the consumer. That is what I said in a speech.

Mr. DAVIS. In other words, it had no relation to what the farmer was getting. That is the point I wanted to make.

Senator GOODING. Mr. Chairman, I am very sorry we have not got a full committee here this morning. It seems to me that this is among the best testimony we have had on this matter as to the condition in the West and the real needs of the farmer. How long will it take you to finish, Mr. Davis?

Mr. DAVIS. I would like considerable more time, but I know you are all busy.

The CHAIRMAN. Well, we do not have to quit until 12 o'clock. We have 20 minutes yet.

Mr. DAVIS. And you will undoubtedly have questions on the bill itself and other things.

The CHAIRMAN. We will finish with you to-morrow, Mr. Davis. You can go on again to-morrow.

Mr. DAVIS. The measure proposed here is not a sectional measure but is national in its scope and its application. Two or three questions that have been raised that I have heard bring that point up. It obviously applies now on wheat and cattle and hogs. But the cotton man is relatively in a good position at the present time by reason of a short domestic crop and a high general world level of the price for cotton.

The CHAIRMAN. Well, we just heard from Senator Smith, of South Carolina, who has been called away and is not here now, just half an hour or so ago, during the examination of the previous witness, that while there was a shortage in the cotton crop, and all that, the producer was not getting the benefit of it. That the price was down.

Mr. DAVIS. Was that his statement as to this last year's cotton crop?

The CHAIRMAN. He had reference to present conditions down there. Here is Senator Ransdell who knows about cotton. I will ask him if that is true or not?

Senator RANSDELL. We are getting pretty good prices for cotton just now.

The CHAIRMAN. The producer?

Senator RANSDELL. Yes; the producer.

The CHAIRMAN. Did you not understand, Senator Gooding, that Senator Smith said that the producer was not getting the benefit of the cotton situation? That the price was down?

Senator GOODING. The producers are getting good prices for cotton because of the boll weevil. Because of the boll weevil there has been a short crop. But many people have been destroyed entirely, while the fellow who is fortunate enough to have been able to get a crop has been getting good prices. But on the other hand, a great deal of the crop has been destroyed by the boll weevil.

Senator RANSDELL. Yes; that is true. In the State of Texas they are getting a fair price and a good crop, but a great many sections are not getting any cotton at all because of the boll weevil The price is around 33 cents a pound, which is more than the normal. But that does not begin to compensate them for the extraordinary expense of making the crop in many localities.

The CHAIRMAN. Well, in other words, Senator Ransdell, as I understand it, while the price now is 33 cents, which, under normal conditions would give the producer a profit——

Senator RANSDELL. Yes.

The CHAIRMAN. The man who produces a bale of cotton to get that 33 cents to-day has to farm so much land that he ought to produce 2 or 3 bales of cotton, is not that true?

Senator RANSDELL. That is true in a great many localities, Senator.

The CHAIRMAN. In that case this man, although he may be getting 33 cents, may be producing his cotton at a loss.

Senator RANSDELL. That is true in a great many localities. The cotton crop extends over 13 States, as you know. Some localities have made a good crop and have had a fair return. Others have suffered and had a poor crop, as suggested by Senator Gooding, because of the boll weevil, and have sustained losses.

Mr. DAVIS. I merely wanted to point out before leaving this point, that while cotton is not now in position where it needs the operation of a plan such as we have under this bill, there have been rather regularly recurring periods in the present century when cotton has been very low in price in relation to the general price level. For example, I have just taken off these years when that condition was particularly true, from the Department of Agriculture records—1904, 1906, 1908, 1911, and 1914. So while it might appear that there was no present need for the operation of such a measure in connection with the cotton States, nevertheless the condition may easily recur in which this would operate to the price benefit of your cotton grower just as now it would operate to help the hog man and the wheat man and the cattleman.

The CHAIRMAN. Well, some time in your testimony—I do not want you to do it now if it would interfere with the outline you have in mind, but before you leave the stand I would like to have you describe just how this bill would be made to operate to benefit the hog man. That question has been asked several times and I do not think satisfactorily answered.

Senator GOODING. No; it has not been to me, Mr. Chairman. I guess it is well for him to go on with this, because you can not tell whether we will have any more Senators to-morrow than now.

The CHAIRMAN. Yes.

Senator GOODING. But that is an important thing that I want him to take up.

Mr. DAVIS. You are giving me a pretty large order, Senator.

The CHAIRMAN. Yes.

Mr. DAVIS. I would rather develop this point I am on before I do that, because I would like to be before your committee again.

The CHAIRMAN. Yes; just make a note of it, and do not forget it.

Senator GOODING. Yes; make a note of it, and then when you have got more Senators here give that to us, because that is one thing that is bothering all of the Senators.

The CHAIRMAN. We have always used wheat as an illustration, and I think that is the simplest one, and makes the best illustration, probably, because I can see how you can make it operate on wheat, and you would meet lots of difficulties if you are going to save the hog man.

Mr. DAVIS. I don't want the committee to understand that I pose as an expert in connection with these things. I want to work with you in helping to work out a difficult problem.

The CHAIRMAN. That is what we want. I think you are somewhat of an expert, however; you have evidently studied it closely.

Mr. DAVIS. Thank you.

I wanted to point out that in the case of the cotton farmer, assuming now that the world price level arose so that cotton reached its proper relationship, and then the world price level passed above it, then no emergency would exist, and so this measure would not operate to hold the price of cotton down here, but would only become operative like a safety valve when the condition dropped your price low in relation to other commodities and costs.

Now the principle of this bill, as I have explained, is to establish tariff schedules on these basic commodities of a sufficient height to permit the farm prices to rise behind them to their pre-war relationship with other prices, and to gauge the height of this tariff wall by that which is necessary to cover the restoration of price to its pre-war relationship.

Senator SMITH. Now, does this bill propose that this commission which is to be established—there is a commission to be established?

Mr. DAVIS. Yes, sir.

Senator SMITH. That they are to hold the domestic sale within their power until those sales reach the level fixed by them? Who is to do the selling in order to reach that price?

Mr. DAVIS. Do you mean the selling abroad?

Senator SMITH. No, the selling here. The selling abroad will take care of itself.

Mr. DAVIS. This would not interfere with the general domestic trade. If you want me to discuss that point at this time—I was starting on another one—I will be glad to do it.

Senator RANSDELL. I think you had better develop the point you are on, because the witness has evidently, as the chairman says, studied this measure very, very carefully, and he started along a line of illustration now. He ought to be allowed to finish that.

Mr. DAVIS. That is an important point, Senator.

Senator SMITH. They are all important.

Senator RANSDELL. Let him develop what he has started. He is right now in the midst of an interesting point, and your question breaks up his line of thought. I think he ought to be allowed to go ahead.

Senator SMITH. Yes: go ahead.

Mr. DAVIS. Now, I just had stated that the height of this tariff wall is to be measured by the necessity to cover the restoration of the price up to its pre-war ratio, which you explained very accurately a moment ago yourself, Senator. The power to regulate or promulgate this floating tariff rests with the President under this bill, upon the advice of this commission, so that you would then have a tariff not based necessarily upon the difference between cost of production at home and abroad, which is very difficult of determination in the case of farm products, but upon the degree necessary to make protection actually effective for agriculture to the same degree it affects industry, and to use the Department of Labor index as your measuring stick. That is the first step in this proposed measure. That is to have a tariff wall sufficiently high to cover the rise in price to its proper relationship with other prices.

Now, that tariff might stand there and be ineffective by reason of this surplus, unless some method which can not be handled by the growers themselves can be devised to segregate this surplus from the domestic consumption. That is, the amount which your domestic market is ready to absorb at a fair exchange value.

I think now I had better take up your point, Senator.

Senator SMITH. I think you had.

Mr. DAVIS. Assuming that you gave us this commission effective July 1, 1924—that is for the purpose of illustration—and you gave a revolving fund of $200,000,000, which, Senator, is to be replaced by the excise taxes collected by the commodity which is intrinsically benefited in price. It is not to come out of the Government Treasury under this plan. It is simply a revolving fund to be replaced.

Now your commission using the Department of Labor index, by a simple problem of proportion works the price out like this: Your present calculated price is to your present general price level as the ten-year pre-war price of your commodity was to the pre-war general commodity level. It is a simple proposition of proportion.

Having determined that calculated price, your commission would then state the calculated price—I am going to use wheat for an illustration again—and it would be, let us say, $1.65 Chicago on certain grades, with the usual grade and transportation differentials. Now your commission has power to step in and buy this surplus, but the sign of the existence of this surplus would be the depression in your price below its calculated price.

Now if out through the country the price that is being paid for wheat was below the ratio price, that would be an evidence of the pressure of a surplus in your market, and it is the duty of the commission to step in and buy, thus segregating that surplus, and to continue to buy until your price rises to the relative price calculated by the bill.

Senator SMITH. Assuming that the current price is the world's price, because in buying the surplus they would buy at the world price, else they would have a loss.

The CHAIRMAN. Oh, no; they would not buy at the world price.

Mr. DAVIS. They would buy it at a sustained domestic price level.

Senator SMITH. But we all know that that would be practically what the wheat would be exported at a profit for.

Mr. DAVIS. No, Senator. That is the world price plus the height of your tariff wall, sufficient to establish this commodity in its pre-war relationship with the general commodity level.

The CHAIRMAN. They would buy it at this sustained price, but of course when they sold the surplus they would sell it at the world price.

Senator RANSDELL. If they did not buy it at a stable domestic price there would not be any profit in it; they would have to suffer loss when they export it.

Senator SMITH. What I would like to get at to clarify this thing in my mind is this: The price of wheat in America now as compared with what is being received for American wheat abroad is on a parity, is it not, now?

Mr. DAVIS. Yes, except in the Minneapolis market, where we have this hard spring milling wheat, where there has been a certain benefit from the 30 cent tariff. On the other markets it has been the world price with no reflection of the tariff benefit.

Senator SMITH. Now, we have got the prices, and that price, let us say, for illustration, is 40 per cent below the ratio.

Mr. DAVIS. Yes.

Senator SMITH. Now they begin to buy the surplus until by their bidding and buying they bring it up to where you have reached the level of your wall. Now in disposing of that, if they dispose of it at a loss that is chargeable back, if there is a loss it is chargeable back to the general price gotten then for the wheat under that price. In other words, the farmers or the wheat producers will stand that loss.

Senator RANSDELL. Well, how?

Mr. DAVIS. Let me read a statement of an illustration into the record if I may, covering that point, to illustrate in the case of wheat. I am not touching hogs, Senator.

Senator RANSDELL. He is going to reach hogs to-morrow.

Mr. DAVIS. But this is the easier commodity to deal with. Assuming a domestic crop of 800,000,000 bushels, of which 200,000,000 must sell abroad, at a price, including cost of 50 cents a bushel below the sustained domestic price, meaning a loss in the case of wheat of $100,000,000. That means there must be collected on each bushel of the 800,000,000 bushels as it moves in trade an equalization fee of 12½ cents a bushel on wheat. The wheat grower has thus financed an operation which has sustained wheat at its proper or pre-war relationship with other prices, or 50 cents above the world price, a net increase of 37½ cents per bushel. To allow a generous margin of safety let us assume that the commission has fixed an equalization fee of 20 cents a bushel to be collected and transmitted by all wheat buyers. At the close of the season then there would be payable to the sellers or holders of this scrip—I am getting a little ahead of my development of the bill—but the holders of this scrip which the bill proposes—in other words, a certificate that the equalization fee has been withheld from them; there would be payable to these sellers or holders of the scrip a dividend of 7½ cents a bushel, which

is the difference between the 20 cents equalization fee withheld out of the purchase price and the 12½ cents actual cost.

Does that cover your point?

Senator SMITH. Yes; it is a distribution over the entire 800,000,000 of the difference in price?

Mr. DAVIS. Yes.

Senator RANSDELL. And no man can sell a bushel of wheat without paying that 20 cents.

Mr. DAVIS. That has to be withheld from his price.

Senator RANSDELL. All right, I understand it now. I did not catch it before. It would take a tremendous lot of machinery though to work a thing of that kind.

Senator GOODING. Well, sometimes the patient needs a pretty strong medicine.

The CHAIRMAN. It is now five minutes of 12. We will adjourn until 10 o'clock to-morrow.

(Thereupon, at 11.55 a. m., an adjournment was taken until 10 o'clock a. m. of the following day, Thursday, January 31, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

THURSDAY, JANUARY 31, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Gooding, Ladd, Norbeck, McNary, Smith, Keyes, Ransdell, and Johnson.

The CHAIRMAN. The committee will come to order. Mr. Davis, will you continue from where you were yesterday?

STATEMENT OF MR. C. C. DAVIS—Continued.

Mr. DAVIS. Yesterday I made the statement that in my judgment a readjustment of credit measures would not strike at the root of our trouble in agricultural regions; that the real trouble lies in relative prices and measures that fail to touch them will not do the work that needs to be done, and in support of that I would like to read into the record one short paragraph from the report of the Secretary of Agriculture, made in 1923, at page 6, which says:

> Studies by this department indicate that 42 per cent of the farmers feel that their financial difficulties are due to low prices of farm products; to high taxes, 17 per cent; high costs for farm labor, 11 per cent; high freight rates, 10 per cent; high interest, 10 per cent; reckless expenditures during boom periods, 6 per cent; and too much credit, 4 per cent.

My recollection is that that is based on reports of some 5,000 farmers, indicating that most of them had analyzed their own difficulty as too low prices, relatively, of the farm products.

The CHAIRMAN. You have not any information as to what class of farmers made the reports, or the geographical location of them, or anything like that?

Mr. DAVIS. I believe they were, generally, from all over the country, because I do not think a sectional survey was made of that.

Senator NORBECK. Are you prepared while here to go into the question as to what caused that low price of farm products, based on exchange values, what made the other costs high when the farmers' cost was low?

Mr. DAVIS. I went into that in considerable detail in the testimony yesterday. Shall I go into it again?

Senator NORBECK. No; do not do that if you went into it yesterday. I will read the testimony.

Mr. DAVIS. Yesterday, Senator, I covered generally the conditions of the farmers and the cause: that is, this low price for farm products

when compared with the high cost paid for everything farmers buy, and for the service they receive. We went into the costs of products of industry, labor, and transportation, etc. The same degree of protection is not effective for agriculture as is effective for industry, labor, and transportation, by reason of the fact that we have, in our major farm commodities a normal surplus above the amount the domestic market is ready to absorb at a fair exchange value. The remedy, as we see it, lies in making the same degree of actual protection effective for agriculture that is effective for industry and labor and to accomplish it through the McNary bill. That briefly summarizes the testimony given yesterday.

Now, coming to the consideration of the measure itself, and not discussing those points that are apparent just from a reading of the bill, the points that would not be controversial, I would define the successive steps of operation under this plan somewhat as follows:

First, the creation of an export commission, operating an export corporation which has certain enumerated powers under the bill.

Second, a power lodged with the President, on the advice of this commission, to establish tariff schedules on agricultural commodities sufficient to restore prices to their pre-war relationship with the general price level, if that tariff is made effective.

Now, it is the duty of this corporation to make these tariff schedules effective by applying the same principles that are frequently applied by manufacturers or combinations of manufacturers when they have a surplus and sell it abroad on the world price level, in order to keep it off the domestic market so it won't smash down the domestic price. So, as the third step, this corporation would stand ready to buy at this calculated domestic price which I went into, I think, sufficiently yesterday, whenever a surplus appears to be depressing the domestic prices below this calculated relationship to the general cost level, so that their buying operation—in other words, the segregation of this surplus from the supply that is on the domestic market in order that it may be sold abroad—would permit the prices to rise to the old-time relationship to the general cost level which, in the case of wheat last year, would be 50 or 60 cents above what it sold for.

My observation of the grain trade in the country has been gained from the fact that the supervision of the elevators of Montana, by law, lodges with the department; we bond them and examine them and keep rather in close contact with the grain buying business. And my observation has convinced me that the grain trade in the country is willing to buy at the figure which it knows it can resell at, and still take its margin of profit out of it. The grain men of the country do not buy and hold grain for a rise in prices, but the general practice is to buy grain and sell futures on the market immediately so that they pass the speculative risk on to someone else and later, when there is an actual sale, they buy to cover their original futures sale, and thus have checked the transaction and passed the risk on.

If your commission is in the market with power and willingness to buy at this calculated price that establishes the price throughout the country, then the grain trade would buy, because what they are interested in is their handling cost and margin of profit, and it does not make any difference at what level they buy, and my real belief is that they would prefer to buy it on this level up here with a satisfied farmer rather than at this level down here with the farmer who says, "You grain gamblers are holding the price down below the cost of production and are robbing us."

This operation under this bill must be financed by the industry itself, just as the manufacturer finances his sale abroad at a low price of whatever surplus has developed. Senator Norris and I discussed that point yesterday, and I wanted to draw the analogy just a little plainer than I did yesterday: Let us assume that a manufacturer has been operating behind a fixed tariff wall here and he has been, through territorial agreements, and by more or less monopolistic control of markets, holding his price near to the top of the wall. Any surplus developed which he has to sell abroad at this low price level he will sell just as your commission would sell. The question the Senator raised was: "Does not the manufacturer pass his loss here on to the consumer which would not be possible under this proposed McNary measure?"

Now, my answer to that is that if the manufacturer's price had been held about to the top of the tariff wall and a sale abroad became necessary at a loss, this tariff wall fixing the height of the domestic price would leave them in exactly the same situation in each case. The gauge of the domestic price would be the top of the tariff wall and in each case the industry would absorb the cost and loss and be unable to pass it on above the height of the tariff wall.

Senator GOODING. And that loss he sustained in export, he could add to the domestic market. That the wheat grower or farmer could not do. That is a cost that the farmer puts in of production; the loss he sustains he adds, and very properly, as the cost of production, and he has the advantage over the farmer in that, too, for he can close down his mills or he can create a demand at home for his products, and that the farmer can not do. He has no chance to add the loss he sustains abroad to the home price.

Mr. DAVIS. No; and in some cases neither can the manufacturer.

Senator GOODING. The manufacturer can shut down his mill when there is a surplus, and the public sustains him in closing his mill. However, with the farmer, he has to go on with his crop.

Mr. DAVIS. As I say, the manufacturer can not always do that. There is an instance of the United States Steel Corporation. Let us take that as an illustration: Last year, in November, a study of the export price of steel and the domestic price of steel established this fact: That the steel manufacturers had sold abroad at an export price that was fully 33⅓ per cent lower than the sustained domestic price approximately $400,000,000 worth of steel products in a year.

The CHAIRMAN. What per cent?

Mr. DAVIS. Thirty-three and a third per cent.

Senator JOHNSON. I am informed that they sold steel rails in Canada at a good deal less than that.

Mr. DAVIS. The figures I had were export prices to England of $1.61 on bar steel as compared to the domestic price of $2.40 in the United States market, and that, I think, draws an analogy.

Senator GOODING. This point you overlooked as far as the production of steel is concerned: Steel does not reach very far into the interior on account of freight rates. We have a tariff on cement, but it can not affect the price of cement very far in the interior, and there they can add the price to the product.

Mr. DAVIS. There is no question about that. I quite agree with the chairman that sometimes the manufacturer has decidedly the advantage over the farmer in passing it on, while the farmer can not possibly do that.

The CHAIRMAN. Mr. Davis, I offered that objection yesterday, not because it ought to be a sufficient objection to defeat legislation at this time, but in the interest of foresightedness and to get the question before us. I do not think that your answer as it is made now, or as it was made yesterday, does away with that objection. It seems to me that in that particular we have reached a point where, at least from any measures you have set up in this bill, as far as I know, and I do not know of any way of setting it up, you can not meet the point.

Senator GOODING. You can only meet it by organization on the part of the farmers.

The CHAIRMAN. Here you have a method set up on the face of it which is not deceiving anybody; it is perfectly honest, but the measure does provide for the meeting of this loss by taking it out of the farmers, the producer.

Mr. DAVIS. Yes; there is no question about that.

The CHAIRMAN. We can not get away from that and you do not want to get away from that. The fellows who advocate this bill say, "We will make the farmers bear their own burdens, but we are going to furnish Government assistance to the extent that they will be able to carry out that scheme and only to that extent."

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Now, the point I made yesterday—and it seems to me it stands uncontradicted and can not be contradicted—is that it is hardly parallel with the manufacturer under a tariff who operates behind the tariff wall, because all the way through from the very beginning this manufacturer very properly does—and as long as we have that kind of a law I do not blame him for doing it—protect himself all he can, so as to still keep safe behind the tariff wall and keep the selling price of his product up to a very high rate, to the height of the tariff wall, the highest point that it will permit him to put it, and as long as he does not get it any higher than the tariff wall he is perfectly safe from outside competition. The farmer does the same thing. The manufacturer has added that to the sale price that the consumer pays to make that good. The farmer, under this bill, is going to do the same thing; he is going to put his product up as high as the tariff wall will permit him; but when it comes to a loss, he levies a direct tax on himself to pay it, and he will pass that on. That is the effect of the bill.

Mr. DAVIS. I do not think this should be given too much relative importance.

The CHAIRMAN. But the manufacturer already has saved himself against that loss.

Senator GOODING. He has the full benefit of the tariff, and the farmer has not. The farmer does not get the benefit of it now, and he never has got it, because the other fellow makes the price of the farmer's product, and not until the farmer is organized as the manufacturer is organized can he get the full benefit of it.

The CHAIRMAN. He would be handicapped, then, because, as you said a while ago, when the farmer starts out on his crop he has to harvest it. But if the manufacturer starts out to make a table, for

instance, and he starts out to make a million tables like that, and the tariff is so high he finds, even in the middle of the season, probably, that there is going to be a surplus in the home market and that the home market will not absorb it, he cuts down the manufacturing, but the farmer has his crop half raised, and he has to harvest his whole crop.

Senator KEYES. You don't think a manufacturer can take that position without incurring loss?

The CHAIRMAN. He will, but that loss, Senator, is not so great.

Senator KEYES. I think the loss is often underestimated. It is rarely considered what it costs the manufacturer to close his plant. He has stock on hand and things of that sort.

Senator JOHNSON. I want to ask you if you have ever heard of any opposition from the grain exchanges, any opposition to this measure?

Mr. DAVIS. What I tell you will be hearsay, entirely, Senator, but I was told yesterday that a request had been lodged with the chairman of the House Committee on Agriculture by a representative of the Chicago or Minneapolis Board of Trade, I have forgotten which, for permission to appear in opposition to the McNary bill.

Senator MCNARY. I will say that the head of a grain establishment in Chicago wrote me in opposition, and I told him to write to Senator Norris and take the matter up with the committee.

The CHAIRMAN. I have an idea that they will appear before the committee hearings are closed.

Senator GOODING. Against the bill?

The CHAIRMAN. Yes.

Mr. DAVIS. Now, on the question of how these losses in the operation of the corporation are going to be met: The calculated "equalization fee"—that is the term used in the bill—is fixed by the corporation on each unit of such protected commodity, as it moves in trade, and is sufficient to cover the costs of operation and the losses incurred by reason of buying in the domestic market, at this sustained domestic price level, and then selling abroad at world prices.

Certificates or script, as the bill refers to it, are issued to the producer or farmer, representing the amount of equalization fee, which fee is withheld to cover the cost of operation so that at the close of the year there might be returned pro rata, as a dividend on this script, the amount left over after the costs and losses have been paid. The equalization fund, thus collected by the corporation, and the cost of operation in the case of each commodity are held separate and checked against each other so that there is no confusion between the equalization fund on hogs, for example, and on wheat.

The CHAIRMAN. The loss, if any, on hogs will be sustained by the man who sold hogs and they will not contribute to any loss sustained by the man who sold cotton or wheat?

Mr. DAVIS. That is the principle of the bill. I illustrated that yesterday in the case of wheat.

Senator GOODING. Are you taking up the livestock end of it now?

Mr. DAVIS. I am going to develop that this morning.

Senator GOODING. You had better clean up the rest of it before you start on that.

Mr. DAVIS. Take an illustration in the case of wheat: Let us say you fixed your equalization fee—we will allow a margin of safety—at

20 cents a bushel, and the actual costs and losses will amount to 12½ cents a bushel, which is substantially the way it would be or would have operated in 1923 to get a price increase of approximately 50 cents a bushel, there would then be a difference between 20 cents and 12½ cents a bushel, the actual cost, returnable on this script which would be cashed in at the post offices and at the various member banks of the Federal reserve bank system.

The measure is not sectional, but it is national in its application since it touches wheat and livestock and livestock products and cotton or any of these major commodities in which an emergency exists by reason of the surplus which can not be absorbed at a fair exchange value in the domestic market.

Now, generally, and subject to the questions which will occur to you, that completes the review of just the general aspects of the matter.

Senator McNARY. I was compelled to attend another meeting yesterday morning, a committee meeting, and I am sure that you discussed section 24 with respect to the ratio price, etc., and how these various prices are ascertained, and if you particularly described how you reached the pre-war purchase price or exchange value of wheat?

Mr. DAVIS. I did not go into it with as much detail as I should.

Senator McNARY. I think it is important if you have not. If you have not put it in the record I think it should go in, but if you have put it in the record I won't ask you to repeat it.

Mr. DAVIS. It is a simple problem of proportion. There is no fourth dimension or mystery about it. It is simply a mathematical computation. The bill states it very completely, and it can be expressed in simpler language if necessary, but, in the last analysis, it is just a problem of proportion.

Senator GOODING. These are fixed and only fluctuate by what you might call the cost of production or the exchange value. If labor goes up or labor goes down, or the cost of other commodities go up or down, they will fluctuate, likely, with the price of labor—that is the only thing that might be affected.

Mr. DAVIS. This is intended to let farm commodities fluctuate in harmony with the general cost level rather than to let them be down when the general cost level is up.

The CHAIRMAN. To get that for the pre-war period, you took a certain number of articles in general use?

Mr. DAVIS. Yes.

The CHAIRMAN. And found out the relation they bore to the selling price of the particular commodity on which you wanted to get the price level?

Mr. DAVIS. Yes; it was simply a problem of proportion.

The CHAIRMAN. Now, if you have done that, you took these same commodities and raised the price of the pre-war level up to the point where the relative value will be the same as regards the particular commodities that are used as a basis.

Mr. DAVIS. That is completely stated.

The CHAIRMAN. Now, I have thought, and you have referred in the bill to a bulletin by the Labor Department, that we ought to put it in the record. Maybe it would be a good thing to put it in now, the

list of those commodities. They are not in the record. Do you have this document?

Mr. DAVIS. I can obtain a list of the commodities.

The CHAIRMAN. There are 400 of them. Don't the committee think that they ought to be each separately incorporated in the record?

Senator GOODING. I do think they ought to go in.

Mr. DAVIS. At the present time the Bureau of Labor Statistics computes wholesale prices on 404 commodities, covering farm products, foods, clothes, and clothing, fuel and lighting, metals and metal products, building materials, chemicals and drugs, house furnishing goods, and miscellaneous commodities, and there is available in the bureau price information on which the majority of these commodities, since 1890. Bulletin No. 335 referred to in the bill gives certain information concerning these commodities.

The CHAIRMAN. What we want is this: This bill uses a certain list of commodities upon which they base the price fixing functions of this bill, and we want in the record the list of these commodities.

Senator GOODING. I think that is very proper, because we are using that as a basis of the whole thing. The price has nothing to do with it. They won't control, because they fluctuate.

The CHAIRMAN. Of course they will.

Senator GOODING. But the committee, it seems to me, ought to have the list of these commodities.

The CHAIRMAN. The members of the Senate, when this bill comes up for consideration, will want to know what the prices are, and will at least want to have an opportunity to know that, and we want in the hearings to give them a list of the commodities so that they can get it and they will have before them the basis of the price-fixing operations of the bill upon these commodities here named. I want to put in your testimony, Mr. Davis, a list of these commodities, the ones referred to in the bill itself. If this list that you have is a correct list you may read it.

Mr. DAVIS. I would like to state that the commodities upon which these current commodity prices will be computed are the commodities mentioned in the December, 1923, bulletin of the Bureau of Labor Statistics, United States Department of Labor, these commodities being listed as follows:

FARM PRODUCTS.

GRAINS.

Barley, malting.
Corn:
  Contract grades.
  No. 3 mixed.
Oats, contract grades.
Rye, No. 2.
Wheat:
  No. 1, northern spring.
  No. 2, red winter.
  No. 2, hard winter.
  No. 1, northern spring.
  No. 1, hard white.

FARM PRODUCTS—Continued.

LIVESTOCK AND POULTRY.

Cattle, steers:
  Choice to prime.
  Good to choice.
Hogs:
  Heavy.
  Light.
Sheep:
  Ewes, native, all grades.
  Lambs, western, good to choice.
  Wethers, fed, good to choice.
Poultry, live fowls.

FARM PRODUCTS—Continued.

OTHER FARM PRODUCTS.

Beans, medium, choice.
Clover seed, contract grades.
Cotton, middling:
Cottonseed.
Eggs, fresh:
  Firsts, western.
  Firsts.
  Extra firsts.
  Candled.
  Firsts.
  Extra, pullets.
Flaxseed, No. 1.
Hay:
  Alfalfa, No. 1.
  Clover, mixed, No. 1.
  Timothy, No. 1.
Hides and skins:
  Calfskins, No. 1, country.
  Goatskins, Brazilian.
  Hides, heavy, country cows, No. 1.
  Hides, packers, heavy, native steers.
  Hides, packers, heavy, Texas steers.
Hops, prime to choice:
  New York State.
  Pacific.
Milk, fluid.
Onions, fresh, yellow.
Peanuts, No. 1, Norfolk, Va.
Potatoes:
  White, good to choice.
  Sweet, No. 1.
Rice:
  Blue Rose, head, clean.
  Honduras, head, clean.
Tobacco, Burley, good leaf, dark red.
Wool, Ohio:
  Fine clothing, scoured.
  Fine delaine, scoured.
  Half blood, scoured.
  One-fourth and three-eighths grades, scoured.

FOODS.

MEATS.

Beef, fresh:
  Carcass, good native steers.
  Sides, native.
Beef, salt, extra mess.
Hams, smoked.
Lamb, dressed.
Mutton, dressed.
Pork, fresh:
  Loins.
  Loins, western.
Pork, cured:
  Mess, salt.
  Sides, rough.
  Sides, short, clear.
Poultry, dressed:
  Hens, heavy.
  Fowls.
Veal, dressed, good to prime.

FOODS—Continued.

BUTTER, CHEESE, AND MILK.

Butter, creamery, extra.
Cheese, whole milk:
  American, twins.
  State, fresh flats, colored, average.
  California flats, fancy.
Milk, fluid. (See Farm Products.)
Milk, condensed.
Milk, evaporated.

OTHER FOODS.

Beans, medium, choice. (See Farm products.)
Bread, per pound.
Cocoa beans, Arriba.
Coffee, Rio, No. 7.
Copra, South Sea, sun dried.
Eggs, fresh. (See Farm products.)
Fish:
  Cod, large, shore, pickled, cured.
  Herring, large, split.
  Mackarel, salt, large, 3s.
  Salmon, canned, Alaska, red.
Flour, rye, white.
Flour, wheat:
  Winter patents.
  Winter straights.
  Standard patents.
  Second patents.
  Patents.
  Patents, soft, winter.
  Straights, soft, winter.
Fruit, canned:
  Peaches, California, standard 2½s.
  Pineapples, Hawaiian, sliced, standard 2½s.
Fruits, dried:
  Apples, evaporated, State, choice.
  Currants, Patras, cleaned.
  Prunes, California, 60–70s.
  Raisins, coast, seeded, bulk.
Fruit, fresh:
  Apples, Baldwins.
  Bananas, Jamaica, 9s.
  Lemons, California, choice.
  Oranges, California, choice.
Glucose, 42° mixing.
Hominy grits.
Lard, prime, contract.
Meal, corn:
  White.
  Yellow.
Molasses, New Orleans, fancy.
Oatmeal.
Oleomargarine, standard, uncolored.
Oleo oil, extra.
Pepper, black, Singapore.
Rice. (See Farm products.)
Salt, American, medium.
Sugar:
  Granulated, in barrels.
  Raw, 96° centrifugal.
Tallow, edible.
Tea, Formosa, fine.

FOODS—Continued.

OTHER FOODS—continued.

Vegetables, canned:
  Corn, Maryland, standard.
  Peas, State and western, No. 5.
  Tomatoes, New Jersey, standard, No. 3.
Vegetables, fresh. (See Farm products.)
Vegetable oil:
  Coconut, crude.
  Corn, crude, in barrels.
  Cottonseed, prime, summer, yellow.
  Olive oil, edible, in barrels.
  Peanut, crude.
  Soya bean, crude, in barrels.
Vinegar, cider, 40 grain, in barrels.

CLOTHS AND CLOTHING.

BOOTS AND SHOES, FACTORY.

Children's:
  Little boy's, gun metal, blucher.
  Child's, gun metal, polish, high cut.
  Misses', black, vici, polish, high cut.
  Youths', gun metal, blucher.
Men's:
  Black, calf, blucher.
  Black, calf, Goodyear welt, bal.
  Black, dress, Goodyear welt, side leather.
  Gun metal, Goodyear welt, blucher.
  Mahogany, chrome, side, Goodyear welt, bal.
  Tan, dress, Goodyear welt, calf.
  Tan, dress, Goodyear welt, side leather.
  Chocolate, elk, blucher.
  Vici kid, black, Goodyear welt.
Women's:
  Black, kid, Goodyear welt, 8½-inch lace.
  Colored, calf, Goodyear welt, lace oxford.
  Kid, black, McKay sewed, lace oxford.
  Patent leather pump, McKay sewed.

COTTON GOODS, FACTORY.

Denims, Massachusetts, 2.20 yards to the pound.
Drillings, brown:
  Massachusetts, D standard, 30-inch.
  Pepperell, 20-inch, 2.85 yards to the pound.
Flannels:
  Colored, 2.75 yards to the pound.
  Unbleached, 3.80 yards to the pound.

CLOTHS AND CLOTHING—Continued.

COTTON GOODS, FACTORY—continued.

Ginghams:
  Amoskeag, 27-inch, 6.37 yards to the pound.
  Lancaster, 26½-inch, 6.50 yards to the pound.
Hosiery:
  Men's half hose, combed yarn.
  Women's cotton, silk mercerized, mock seam.
  Women's combed yarn, 16-ounce.
Muslin, bleached, 4/4:
  Fruit of the loom.
  Lonsdale.
  Rough Rider.
  Wamsutta.
Print cloth, 27-inch, 7.60 yards to the pound.
Sheeting, brown, 4/4:
  Indian Head, 2.85 yards to the pound.
  Pepperell, 3.75 yards to the pound.
  Ware shoals, 4 yards to the pound.
Thread, 6-cord, J. & P. Coats.
Underwear:
  Men's shirts and drawers.
  Women's union suits, combed yarn.
Yarn:
  Carded, white, mulespun, northern, 10/1, cones.
  Carded, white, mulespun, northern, 22/1, cones.
  Twisted, ordinary, weaving, 20/2.
  Twisted, ordinary, weaving, 40/2.

WOOLEN AND WORSTED GOODS, FACTORY.

Flannel, white, 4/4, Ballard Vale, No. 3.
Overcoating, soft-faced, black.
Suiting:
  Clay, worsted, diagonal, 12-ounce.
  Clay, worsted, diagonal, 16-ounce.
  Middlesex, wool-dyed, blue, 16-ounce.
  Serge, 11-ounce.
Trousering, cotton warp, 11/11½-ounce.
Underwear:
  Merino, shirts and drawers.
  Men's union suits, 33 per cent worsted.
Women's dress goods:
  Broadcloth, 9½-ounce, 54–56-inch.
  French serge, 35-inch.
  Poplar cloth, cotton warp.
  Silician cloth, cotton warp, 50-inch.
  Storm serge, double warp, 50-inch.
Yarn:
  Crossbred stock, 2/32s.
  Half blood, 2/40s.
  Fine domestic, 2/50s.

CLOTHS AND CLOTHING—Continued.

SILK, ETC.

Linen shoe thread, 10s. Barbour.
Silk, raw:
  China, Canton, filature, extra extra A.
  Japan, Kansai, No. 1.
  Japan, special, extra extra.
Silk yarn:
  Domestic, gray spun, 60/1.
  Domestic, gray spun, 60/2, No. 1.

FUEL AND LIGHTING.

ANTHRACITE COAL.

Broken.
Chestnut.
Egg.
Stove.

BITUMINOUS COAL.

Mine run.
Prepared sizes.
Screenings.
Mine run, Kanawha.
Mine run, smokeless, New River.
Mine run, Pocahontas.
Prepared sizes.

OTHER FUEL AND LIGHTING.

Coke, Connellsville, furnace.
Gasoline, motor.
Matches, average of several brands.
Crude petroleum:
  California, 20°.
  Kansas-Oklahoma.
  Pennsylvania.
Refined petroleum:
  Standard white, 110° fire test.
  Water white, 150° fire test.

METALS AND METAL PRODUCTS.

IRON AND STEEL.

Iron ore:
  Mesabi, Bessemer, 55 per cent.
  Non-Bessemer, 51½ per cent.
Pig iron:
  Basic, valley furnace.
  Bessemer, Pittsburgh.
  Foundry, No. 2, northern, Pittsburgh.
  Foundry, No. 2, Birmingham, Ala.
Ferromanganese.
Speigeleisen, 18 and 22 per cent.
Bar iron:
  Best refined.
  Common.
Bars, reinforcing.
Nails, wire.

METALS AND METAL PRODUCTS—Con.

IRON AND STEEL—continued.

Pipe, cast-iron, 6-inch.
Skelp, grooved.
Steel billets:
  Bessemer.
  Open hearth.
Steel, merchant bars.
Steel plate, tank.
Steel rails:
  Bessemer, standard.
  Open hearth, standard.
Steel, sheets, black.
Steel structural shapes.
Terneplate, 8 pounds I. C.
Tin plate, domestic coke.
Wire, per 100 pounds:
  Barbed, galvanized.
  Plain, fence, annealed.

NONFERROUS METALS.

Aluminum.
Copper, ingot, electrolytic.
Copper, sheet.
Copper wire, bare.
Lead, pig.
Lead, pipe.
Quicksilver.
Silver, bar, fine.
Tin, pig.
Zinc, sheet.
Zinc, slab.

BUILDING MATERIALS.

LUMBER.

Douglas fir:
  No. 1 common, boards.
  No. 2 and better, drop siding.
Gum, sap, firsts and seconds.
Hemlock, northern, No. 1.
Maple, hard, No. 1 common, 4/4.
Oak, white, plain, No. 1 common, 4/4.
Pine, white, No. 2 barn.
Pine, yellow, southern:
  Boards, No. 2 common, 1 x 8.
  Flooring, B and better.
  Timbers, square edge and sound.
Poplar, No. 1 common, 4/4.
Spruce, eastern, random.
Lath, yellow pine, No. 1.
Shingles:
  Cypress, 16 inches long.
  Red cedar, 16 inches long.

BRICK, COMMON BUILDING.

Run of kiln.

STRUCTURAL STEEL.

(See Metals and metal products.)

BUILDING MATERIALS—Continued.

OTHER BUILDING MATERIALS.

Cement, Portland.
Crushed stone, 1½-inch.
Gravel.
Hollow tile, building.
Lime, common, lump.
Roofing, prepared:
  Medium weight.
  Shingles, individual.
  Shingles, strip.
  Slate surfaced.
Sand, building.
Slate, roofing.
Glass, plate:
  3 to 5 feet.
  5 to 10 square feet.
Glass, window, American:
  Single A.
  Single B.
Linseed oil.
Putty, commercial.
Rosin, common to good (B).
Turpentine, southern, barrels.
White lead, American, in oil.
Zinc oxide (white zinc).
Pipe, cast iron. (See Metals and metal products.)
Copper, sheet. (See Metals and metal products.)
Copper wire. (See Metals and metal products.)
Lead pipe. (See Metals and metal products.)
Nails. (See Metals and metal products.)
Reinforcing bars. (See Metals and metal products.)
Roofing tin (terneplate). (See Metals and metal products.)
Zinc, sheet. (See Metals and metal products.)

CHEMICALS AND DRUGS.

CHEMICALS.

Acids:
  Acetic, 27 per cent.
  Muriatic, 20°.
  Nitric, 42°.
  Stearic, triple pressed.
  Sulphuric, 66°.
Alcohol:
  Denatured, No. 5, 188 proof.
  Wood, refined, 95 per cent.
Alum, lump.
Ammonia, anhydrous.
Bleaching powder.
Borax, crystals and granulated.
Copper, sulphate, 99 per cent crystals.
Copra, South Sea. (See Foods.)
Formaldehyde.
Oil, vegetable:
  Coconut, crude. (See Foods.)
  Corn, crude. (See Foods.)
  Palm kernel, crude.
  Soya bean, crude. (See Foods.)

CHEMICALS AND DRUGS—Continued.

CHEMICALS—Continued.

Potash, caustic, 88–92 per cent.
Sal soda.
Soda ash, 58 per cent, light.
Soda, bicarbonate, American.
Soda, caustic, 76 per cent solid.
Soda, silicate of, 40°.
Sulphur, crude.
Tallow, inedible, packers' prime.

FERTILIZER MATERIALS.

Acid phosphate, 16 per cent basis.
Ammonia, sulphate, double bags.
Ground bone, steamed.
Muriate of potash, 80–85 per cent, K. C. L. bags.
Phosphate rock, 68 per cent.
Soda, nitrate, 95 per cent.
Tankage, 9 and 20 per cent, crushed.

DRUGS AND PHARMACEUTICALS.

Acid, citric, domestic, crystals.
Acid, tartaric, crystals, U. S. P.
Alcohol, grain, 190 proof, U. S. P.
Cream of tartar, powdered.
Epsom salts, U. S. P., in barrels.
Glycerine, refined.
Opium, natural, U. S. P.
Peroxide of hydrogen, 4-ounce bottles.
Phenol, U. S. P. (carbolic acid).
Quinine, sulphate, manufacturers' quotations.

HOUSE-FURNISHING GOODS.

FURNITURE.

Bedroom:
  Bed, combination.
  Chair, all gum, cane seat.
  Chifforette, combination.
  Dresser, combination.
  Rocker, quartered oak.
  Set, 3 pieces.
Dining room:
  Buffet, combination.
  Chair, all gum, leather slip seat.
  Table, extension, combination.
Living room:
  Davenport, standard pattern.
  Table, library, combination.
Kitchen:
  Chair, hardwood.
  Refrigerator, lift-top type.
  Table, with drawer.

FURNISHINGS.

Blankets:
  Cotton, colored, 2 pounds to the pair.
  Wool, 4 to 5 pounds to the pair.
Carpets:
  Axminster, Bigelow.
  Brussels, Bigelow.
  Wilton, Bigelow.

HOUSE-FURNISHING GOODS—Contd.

FURNISHINGS—continued.

Cutlery:
  Carvers, 8-inch.
  Knives and forks.
Pails, galvanized iron, 10-quart.
Sheeting, bleached, 10/4:
  Pepperell.
  Wamsutta.
Tableware:
  Glass nappies, 4-inch.
  Glass pitchers, ½-gallon.
  Glass tumblers, ½-pint.
  Plates, white granite, 7-inch.
  Teacups and saucers, white granite.
Ticking, Amoskeag, A. C. A., 2.85 yards to the pound.
Tubs, galvanized iron, No. 3.

MISCELLANEOUS.

CATTLE FEED.

Bran.
Cottonseed meal, prime.
Linseed meal.
Mill feed, middlings, standard.

LEATHER.

Calf, chrome, B grade.
Glazed kid, black, top grade.

MISCELLANEOUS—Continued.

LEATHER—continued.

Harness, California oak, No. 1.
Side, black, chrome, B grade.
Sole:
  Oak, in sides, middle weight, tannery run.
  Oak, scoured backs, heavy.
  Union, middle weight.

PAPER AND PULP.

Paper:
  Newsprint, roll.
  Wrapping, manila, No. 1, jute.
Wood pulp, sulphite, domestic, unbleached.

OTHER MISCELLANEOUS.

Hemp, manila, fair, current shipment.
Jute, raw, medium grade.
Lubricating oil, paraffin, 903 gravity.
Rope, pure manila, best grade.
Rubber, Para, island, fine.
Sisal, Mexican, current shipment.
Soap, laundry.
Starch, laundry, bulk.
Tobacco:
  Plug.
  Smoking.

Mr. DAVIS. In the last day or two there were some points raised that it might be well to attempt to cover at this time, if you wish.

One Senator asked this question: "What is the relative decline in price of flour as compared with the price of wheat?" and I think it was Senator Smith. I would like to put in the record a chart contained on page 19 of the report of the Secretary of Agriculture, Mr. Wallace, to the President on the wheat situation, made by the Department of Agriculture in 1923, which shows for the period of 1913–1923, inclusive, the relationship that has been followed in the rise and fall of wheat and flour prices; the flour prices being considered on wheat flour, Minneapolis, and wheat flour, New York, the wheat prices being Northern spring at Minneaplois, and there is a line showing the price of bread at Minneapolis during this period which shows a very constant relationship of the price of flour with the price of wheat during all the rises and declines in the general wheat price during that period.

Senator MCNARY. How did bread follow along in comparative lines?

Mr. DAVIS. Not as closely as flour, but during the period of highest prices for wheat the price of bread ran along well below what would have been its relative price if it had kept parallel with wheat and flour. At the present time the price of bread is relatively higher than that of wheat and flour.

Senator GOODING. Do you know what the relationship is, what the basis is? For instance, from my investigation of what I have found, what seems to me to be hardly fair is that when wheat is selling at a

dollar, flour was selling at $5 a barrel, and when wheat was selling at $2 flour was selling at $10 a barrel, and when wheat was selling at $3, which was the case, flour was selling at $15 a barrel. I don't imagine in the manufacture of a barrel of flour there is any more cost if the flour costs a dollar a barrel than if it costs $3 a barrel. That is a relative price I have found in the price of wheat and flour, and when it comes to bread, I think my information is at the present time that bread is anywhere something over 100 per cent. I am not quite sure about the figures, but it is a lot higher; it is something, I think, around 100 per cent higher than pre-war prices for bread, although the price of wheat is practically the same.

Senator SMITH. What per cent of the total cost was the raw material?

Senator GOODING. I did not go into that. But, as I said, I can not understand why the cost of manufacturing a barrel of flour that cost $1 was any more than a barrel costing $3.

Senator JOHNSON. The price of flour should follow the price of wheat because the large millers, like those in Minnesota, are all members of the Minneapolis Chamber of Commerce. When they make a big flour contract they go the same day and see that they are protected in the market, and that is the reason the big millers are members of the Chamber of Commerce and boards of trade and grain exchanges, because if they have a big contract ahead of them they raise the prices and they won't let the prices down, and as I stated, the first thing they do is to protect themselves. When it goes the other way they will lower it as much as possible, and that is why, under the present system, they want to speculate in grain and keep the price high. What this bill will do to them, I am very anxious to know. The Capper-Tincher bill regulated them to some extent, but they were not afraid of that bill—that is what they said to me.

Senator RANSDELL. Is there any reason why wheat that costs $2 a barrel should cost the manufacturer less to convert into flour than $3 wheat?

Senator JOHNSON. No, I can not see that at all. I can not understand it.

Senator GOODING. These figures that I quoted were 1917 figures, and I do not know that they apply now.

Senator JOHNSON. I will explain it this way, the way I have tried to get at it. There is a small group of men raising the prices and they get together and do it and they put it over on the people because the farmer here and the farmer there and the consumer here and the consumer there, have not got the time, means, or ability to look into the matter. They say let it go; we will fork over our 15 cents a loaf for a while, as we have always done, and let us hope that our representatives down in Washington will do something for us. I just had a talk with a grain miller, a representative of the Washburn-Crosby Milling Co., and he tells me now they are afraid of the freight rate and they are building a mill in Buffalo; they are going to sell their products cheaper there to the Eastern States, the eastern markets, and they are also going to sell into Port Arthur, Canada, and places like that. It should not be like Senator Gooding says. Why is it? Because the cost, the increasing cost of laboring men working in that mill is very little. When the price of bread goes up, they do not raise the wages for the men in the mill, but the

production of flour in Minneapolis has gone down to a great extent and that has been told to me by Mr. Bouey, who has been in my office.

Senator GOODING. The figures I gave were taken from 1917 figures and indicate the comparative figures of flour, wheat, and the like. I do not suppose that these are the correct figures for the present time.

Senator JOHNSON. You have seen Professor Ladd—we call him Professor Ladd, he is now Senator Ladd. If you had seen his statement on the price of wheat and how many bushels it took to make a barrel of flour, and the price of flour per barrel, and the price paid for the bread, you would be surprised. It would almost drive you crazy to look at the difference in cost between the wheat and what we have to pay for bread, we who have to buy bread.

Mr. DAVIS. Answering Senator Gooding's question with reference to this relationship between flour price and wheat price, I am not competent to testify as to whether the margin for manufacturing profit which has been taken by the mill is proper or not, but assuming that this average period from 1909 to 1913, which is used as the basis of 100 in the chart, establishes a normal relationship between the two prices, then this chart shows the price per barrel of flour has followed the price of wheat very closely indeed, and this chart will be here for your inspection. It is the years 1909–1913 as establishing the starting point. From that they come down to the present time, and you will find that the price fluctuates, both up and down, and the price of flour follows the price of wheat very closely. That was one of the points that was raised that I thought I would like to answer.

Senator JOHNSON. What years do you include?

Mr. DAVIS. I include 1913 to 1923, now. The figures for 1909–1913 established the starting point, or the basic 100.

Senator JOHNSON. In those figures from 1913 to 1923, where you have the years that we know about as the war years, they are in there, and let me tell you what the well-to-do people did during those years. They laid in a great big amount of flour, I know what I am talking about, and I know one man that is prominently connected with the Coolidge campaign in Minnesota to-day, he told me that he laid in two tons of flour, that he bought at the time prices were low, and I know that others did the same thing in my vicinity. What happened then? The prices went up so that when the poor devil was going to get in his flour, what did he have to do? He had to pay great big large prices for the same flour that these rich profiteers had put in their cellars and bought when the prices were low. I will bet you that the Secretary of Agriculture has not figured that in his figures. I know it, because I investigated and that was part of my speeches during that period. They looked into it, but it was too late.

Mr. DAVIS. There are two other questions that were raised. I answered one of them yesterday: "Why can not the farmers cooperate to-day in the same manner as the manufacturers do?" Senator Smith raised that question, and that is in the record, together with my answer.

The next question was: "What has the situation been with respect to cotton, and would this system have operated to the relief of the cotton farmer?" That is in the record. I discussed that yesterday.

Senator Johnson raised the question of the effect of this measure on the chambers of commerce. Of course, your guess on that would be just as good as mine, or may be better, but it strikes me that on the general practice of hedging this measure generally establishes the price of wheat, let us say, at its pre-war relationship to other prices, so you won't have the violent fluctuations up and down with the prices of wheat out of line with the general commodity level. The grain buyer out in the country hedges. He sells his wheat the day he buys it in order to pass on the speculative risk, but if he bought his wheat with the calculated price announced to be effective for three weeks, and his wheat had time to go to Minneapolis and be disposed of at the ratio prices, it impresses me the reason for carrying on the hedging transaction is removed, and that may be one reason why the board of trade may be inclined to oppose it.

Senator SMITH. If the announced policy under this bill is that they are going to bring the ratio prices of wheat to the prices of other commodities, then the purchaser of wheat knows that this ratio is to be obtained and that will eliminate the hedging?

Mr. DAVIS. Yes; that would eliminate the short-time hedging, although there might be some indulgence in the long-time hedging by the miller who buys a large amount of wheat and holds it, but the necessity for short-time hedging or the desirability for it, would be removed under the operation of this measure, and, as I say, that might explain one reason why the board of trade may be in here in opposition to the bill. Another reason may be the fact that they probably fear any extension of governmental activity into their affairs.

The CHAIRMAN. Yes; they certainly would be opposed to that.

Mr. DAVIS. The Chairman yesterday raised the question of how this measure would operate in the case of hogs, and that is a question that presents, frankly, more difficulties than are presented in the case of wheat, but I believe the difficulties are not insurmountable. I stated that I could not qualify as an expert on this point. You will have before you later a representative of the Meat Producers' Association, from the Corn Belt, who will probably discuss that point in considerable detail. Well, I believe I see a way in which this might be operated, the corporation might operate, in the case of hogs, and the same thing would apply to the case of other livestock and livestock products. I believe I see a way that would be workable, although that may not be the way the corporation would tackle the meat problem.

Senator GOODING. How will you follow the bacon, hams, and lard that go out of the particular hog? This commission has purchased the hog, for instance, now, in order to keep up the relative price of the hog, how would you follow that?

Mr. DAVIS. I will take that up for you in a moment.

Senator GOODING. Have you not given any thought to that matter?

Mr. DAVIS. Yes; I have, but I want to start in without any assumption of ability on my part to answer all of the questions that you ask concerning livestock. The object to be obtained by the operation of this bill is to raise the price of hogs, let us say, out in the country to the pre-war ratio price, which would have been ranging around 11 or 12 cents a pound during the past year, while, as a matter of fact, the price for hogs ranged 4 or 5 cents below that point throughout

the year. Keeping in mind that objective, you have to analyze what is the reason why the hogs have been below the proper ratio price. I think it is logical to assume the reason is that there is a surplus on hand of some pork products. It may be the lard or the mess pork, or hams, or bacon, although the latter ordinarily would have a ready sale at a price that would permit the processors to pay this ratio price, but whatever the product is that is depressing the domestic market by reason of the surplus, should be purchased in this market at a figure high enough to permit the hogs in the country to reach the proper price relationship. I would say that the corporation would find it advantageous to start with the finished product. That is, your commission would establish what has been the average ratio——

Senator GOODING. Let me give you one idea I have here with regard to the finished product. With wheat, there is a world's market for it. You know what it is every day. I do not think that is so well established, is it, as far as hams, bacon, lard, and such things are concerned? Is not that sold to wholesalers and jobbers, and is it not the individual customer that has to be found by the commission? There is not a regular organized force that buys any amount on a certain day when it is offered, is there? Is not it an entirely different transaction, and will it not work out entirely different than wheat?

Mr. DAVIS. Yes; but the fact remains, Senator, that there is now established a regular export channel for the disposal of these commodities. They do sell abroad. The point is that if they can be sold abroad now the commission could sell them abroad, say under a bonus system, or by handling directly by the corporation. What I want to say is this: If you calculate the ratio price, the price the hogs in the country should originally bring, and you set about from the other end of your procession to establish a market for the lard, shoulders, hams, bacon, and mess pork, that would enable the packers to pay this ratio price out in the country, you have reduced this to a simpler problem than if you buy the hogs out in the country through the corporation, and it is a mathematical proposition to determine the normal relationship between the live hogs and the commodities.

Senator GOODING. I could understand that if I did not know there was a high fluctuation in the price of all livestock in the market. That is the point that would make it difficult of administration.

Mr. DAVIS. Of course, we would have to sell abroad this lard and these other products at the world price level, but buy at a domestic price high enough to enable the packers to pay to the farmers this ratio price. When you do that, you will reduce this to a much simpler problem. You can, of course, sell your lard and other commodities abroad.

Senator GOODING. I understand that it is a difficult problem, sometimes, to dispose of this packer production abroad?

Mr. DAVIS. That is the job of the corporation. It is being done at the present time. The only objection that I can see that might be raised to this measure is embodied in this question: Would the packers absorb this increased price or a large percentage of it, or would they permit it to flow right back to the hog producer? If it can be arranged so that the price floats back to the producer, this can be operated by handling the export trade in such a way as to permit the packers to pay the ratio price on hogs produced and

marketed in the United States, and if there is any evidence of extortion; that is, if it is found that the processors were taking a larger relative share out of the live hogs here than they did in this normal period, if that were true, I am told that there is sufficient power implied in the packer-control act to regulate the margin of profit taken under these circumstances. If that power is not there, then it might be met, that situation might be met by competitive contracts. If a packer was inclined to absorb too much of this manufactured price, then it might be necessary to establish an export ratio only with the packers that would so organize their business that they would handle the business at a reasonable profit out of their operation.

The CHAIRMAN. As I understand it, you mean this: Take the pork operations in the matter of hogs. Take hams now. This commission would say, "Hams must be sold at a certain price per pound in order to enable the packer to pay the farmer a certain price per pound for his live hogs?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. This commission would say, "We are going to buy hams and will pay this price for them." If the people who sell us these hams instead of fixing their price so as to give a benefit or a profit to the farmer who produces the hogs, if he won't do that, the commission would say, "We won't buy these hams of you, we will buy them somewhere else." Suppose we went to Swift & Co. and said, "We will buy your hams at this price, and this price that we will pay you will enable you to make a certain price for the hogs that you buy, and if you pay that price to the farmer we will buy your hams, and if not, we won't." Suppose then they said to us, "We won't agree to do that." What would you do then?

Mr. DAVIS. I think your factor of safety there lies in the small independent packer. If you allow a proper margin there, and if Swift & Co. will not pay the price that you fix for the hogs, then the buying order will go to your small independent packer.

The CHAIRMAN. But you can not forget the fact that the packer is in the business for money. He wants to sell for a high price. He wants to buy for a low price. It is perfectly legitimate in trade, and the independent packer has a right to buy for a low price and sell for a high price. The independent packer, as we all know, makes an aggregate profit on the volume of his business, and makes a larger percentage on the volume of his business than the big packer does, but nevertheless he always follows the big packer, he never interferes with him, he follows along in his trail, and my experience has been that, or rather my observation has been, from what has gone on in this committee, that the little packer knows that the big packer can destroy him if he wants to, and he never undertakes to hurt the big packer, and you never hear him coming before this committee or going anywhere else and testifying against him. He makes a good thing out of it by letting the big packer take the pace. History has shown in the last two or three years that while some of the big packers lost money, he made money.

Mr. DAVIS. I would say, Senator Norris, that if this corporation sat here and said to these packers, "Now, gentlemen, we are ready to buy your shoulders and hams, bacon or mess pork or lard at this calculated price which would permit you to pay ratio prices out in the country, and we are buying at that figure, and everybody else who

wants to buy in the United States has to meet that figure," then that would establish that figure as the price throughout the United States.

The CHAIRMAN. I have no doubt about that.

Mr. DAVIS. If that did not pass on through to your grower of hogs, I would say there would be one of two reasons that would be the cause: One might be your margin has not been sufficiently wide to allow for the present increased labor cost——

The CHAIRMAN (interposing). You must not give that as a reason; we have stated that we are starting with the assumption that the price would be high enough for that.

Mr. DAVIS. You might have to revise that.

The CHAIRMAN. We are assuming that we have not made a mistake.

Mr. DAVIS. If you figure it properly, I think it would work, but on the other hand there is the other reason, and that is there may be a lack of willingness on the part of the packers to cooperate in the administration of the act, and then the thing to do would be to see if the police power does not rest in the United States through the packer control act to force them.

The CHAIRMAN. I do not believe that that power is in existence. I do not believe that it is in that act or in any other act.

Mr. DAVIS. I did not follow it clear through, but I asked this morning a gentleman who is connected with the administration of that act if that specific power rests in the packer control act and he said the specific power did not rest in the language of the bill, but there was ample implied power to do it.

The CHAIRMAN. I do not believe that. I may be wrong. I do not see how you can expect it to be in that act or in any other act. We have not attempted, and I do not think we could get such a law enacted, to let us say to the packers or to anyone else, "You have to pay the price we name for hogs" or for anything else. There is no such power anywhere.

Senator JOHNSON. Mr. Davis, I would like to ask you a couple of questions on the livestock. Do you believe this bill, if enacted, will stabilize the price on the hogs? During the early part of the fall thousands and thousands of carloads of stock, pigs that go the market, a lot that the farmers have to sell at cost because they have not enough grain or corn to feed them, these large numbers of hogs have to go into the market and other farmers come in and buy this large quantity of stock pigs. They buy them because they think they will sell them at a profit later on, because they have already gotten the feed and the stuff to fatten them with, and when they sell them on the market they sell them at a profit. Do you suppose now that this bill will stabilize the price?

Mr. DAVIS. The factor that determines the price you pay for the stock pigs or feeders is what the buyer feels he will be able to fatten them at and make a reasonable profit on the operation. Under the operation of this corporation, he would be assured of the reselling of the finished hogs at this calculated ratio price which would serve to operate right back to the original source.

Senator GOODING. This bill only deals with the finished product.

Mr. DAVIS. This gives the commission power to go into that particular phase of the situation.

The CHAIRMAN. But the bill deals with the finished product.

Mr. DAVIS. Yes; and with the raw material as well, if necessary.

Senator JOHNSON. This commission has to be in power all the time and function all the time if you are going to regulate these people. You know the business of this country will not let Congress regulate it, and they will say "We are not going into the market to buy unless there is a prospect for a profit for us," and, therefore, the grain exchanges, when you attempt to regulate them, will say, "We want to speculate, and we want big buyers in the market," so that will give them the necessary competition which will raise the prices up. That is the way they act on all these other bills. They say the same thing in everything, and they will say the same thing with respect to this bill. They will say, "I am not going to sell on the market, or to the commission, or anybody else, unless there is a prospect of a profit for me." If this commission will watch both ends, well and good. Another thing, Mr. Chairman, when you talk about the little packer, I suppose you have all heard about the scandal up there in Austin, Minn. There was a little plant there and the cashier ran away with nearly $2,000,000. Of course he is serving his time in the penitentiary but they did not miss that little bit of money until they noticed that one of their checks had gone wrong. I just thought of that.

The CHAIRMAN. That very packing establishment we have had before this committee. There is an illustration of an independent packer making an enormous amount of money. As I said, these independent packers follow after the big packers, and that particular corporation that you mention has grown up from almost nothing to what it is to-day; the owner put in a very little cash into his transaction, but he has grown along, and they have increased their capitalization by stock dividends, and made enormous amounts of money.

Senator JOHNSON. That is right.

Senator GOODING. They do that by just following along with the packers; they have the advantage, too, of the freight rate all the way through.

The CHAIRMAN. You never find one of these packers ever coming before the committee or going anywhere else and testifying against the big packers. They want them to run wide open.

Senator JOHNSON. The big packers won't, and a few of these independent fellows won't, but you build a big packing plant owned by the farmers, and you will soon find out how quickly they will go down and out. They have all kinds of schemes to get them out.

Senator SMITH. What are the difficulties in the way of the farmer fixing the prices of the livestock?

Mr. DAVIS. At the finish of my answer to Senator Johnson's question, I will take that up. You establish here an outlet for the finished product, at a price level sufficiently high to enable them to pay this ratio price on livestock. That passes on through the packer, right down to the man who sells the finished hog at the market, and it passes on to the man who has the unfinished feeder pigs for sale, generally raising the price level for finished and unfinished hogs throughout the country. Your question is purely one of administration and the difficulties are purely difficulties of administration. You may announce your willingness and readiness to buy the finished hogs ready for market, at the calculated ratio price, but then you have to have your outlet through the processor. Your bill gives the commission ample power to make contracts with any big concerns to process

this at a price that will be determined under the contract. There is ample power there, and it might even extend to the operation of a packing plant if it should become necessary in order to regulate the manufacturers' margin of profit. I do not suppose it would.

The CHAIRMAN. If you started in with the hog on the farm, of course you would have to get rid of the hog, and you do have the power to even start a packing plant here, and go into it. It is not presumable that the commission would do that, because they are not such an organization that could go in and out of the business, and attend to it as the market goes up and down. They are only in to keep the market up. If you go in the packing business you have to stay in. So the probable course would be that they would make arrangements, if they could, with an existing packer to handle the products. Now, I want to ask you, when you have done all this, suppose we have surmounted all the difficulties, and it all works out as you think it will on the hogs or anything else, you have increased the price, but you have not cut down your commissions or cut out the middleman, you have not reduced the freight rate or anything else. So it would follow, would it not, that all of these increases in price would be passed on to the consumer?

Mr. DAVIS. I am gald you raised that point. That is one of the important points in the operation of the measure.

The CHAIRMAN. I think it is.

Mr. DAVIS. Let me go back to the case of wheat and its effect on the price of bread. Of course, the laborer and the city consumer buys his wheat in the form of bread from the baker in town. At the time of the meeting of the Wheat Production Committee in Chicago, I asked this question of one of the largest millers in the United States: "What increase in the price of wheat would be absorbed by the bakers without a corresponding increase in the cost of bread?" He said that that question had been discussed between the millers and the master bakers, and that the answer was that anything up to approximately 60 cents would be absorbed without a corresponding increase in the cost of bread. I answered him that I thought it was logical that the wheat price increase should be absorbed and I gave him as my reason for it the fact that the bakers had absorbed the decrease in wheat prices from $2.26 to $1.08, in Chicago, without any corresponding decrease in the price of bread.

I would like to put in for reference here a chart that is contained on page 43 of "The Wheat Situation," which is a report made by Henry C. Wallace, the Secretary of Agriculture, to the President, in 1923, and which shows a distribution of the retail price of a 1-pound loaf of bread in Washington, D. C.:

> The retailers', 22.22 per cent; the bakers' margin, 35.93 per cent; materials other than flour, 13.88 per cent; the transportation margin, 3.21 per cent; the milling margin, 5.31 per cent; the freight charges on the flour in the wheat and the elevator margin on the flour in terms of wheat as 1.17 per cent and 1.38 per cent, respectively; and the wheat growers' portion 16.37 per cent.

This shows approximately 16.37 per cent of the cost of a loaf of bread to the consumer in the month of September, 1923, was caused by the wheat price, or approximately one-sixth. For easy division, let us say a 12-cent loaf of bread would have 2 cents of it as the cost of wheat, and an increase of 50 per cent in the price of wheat would amount only to 1 cent. Anything less than 50 per cent would be less than 1 cent actual difference.

On that point again, I wish to relate a conversation with a man who owns a majority of the stock in one of the institutions in the Northwest which makes package goods out of flour—crackers, cookies, and biscuits, etc. In talking with him, when I urged this point in my argument as to wheat price effect on the retail price, he said, "Believe me, we would be glad to have a chance to absorb that increase of price in the package goods for this reason: When the price of wheat dropped in 1920, with results disastrous to the whole wheat-growing regions, we felt here is our opportunity to absorb this drop in an added margin of profit." He said, "We are sick and tired of that arrangement now, for this reason: That the drop in wheat is simply demoralizing the purchasing power of our trade territory, and if the operation of this bill will tend to raise the price of wheat out in the country it will restore the purchasing power not only to the farmer but to all who are dependent on him, and we would not increase the price of our package goods."

Let us assume that Sentor Norris's point is proper and logical. You must go back to the key point in the measure, and that is that the raise in price is not an illogical one, but only aims to restore the pre-war relationship between other costs, and the price of this commodity. This index figure, as it applies to general commodities, is a lower index figure than now represents the purchasing power of labor on the pre-war basis, and if this index figure is logical, it shows this farm price increase is proper and just, even though it is reflected by a slightly increased cost of living.

Labor now has a favorable strategic position because its purchasing power is the highest ever known. The purchasing power of the big body of consumers is the highest ever known.

The CHAIRMAN. I do not deny the justice of it, and if there is no other remedy, we have to do it. We all admit that the producer does not get the cost of production. He ought to do that, and he ought to get a profit. If we are going to remedy it by lessening the cost of distribution so as to help the producer and consumer we ought to do it. It is likewise conceded that the cost of distribution of all products is too high. This bill might incidentally help that situation. I do not think you are right in saying that all this middleman's cost will be eliminated and that these middlemen will say, "We will absorb this," because it is not true. The middleman will not absorb this simply because "it is justice to the farmer." They are not in it with any idea of philanthropy, they are in it to make money, and has it not been our experience in all lines of business where something is arbitrarily done, something has to be added to the cost that the dealer and everyone interested in the commodity adds a little on account of it, and when it gets to the consumer it is a good deal more than the actual amount added to the cost? We find that all through every phase of our commercial life. Put a little tariff on something and the importer adds a little and the jobber adds a little and the wholesaler adds a little and the retailer adds a little, and the consumer, when he gets it, has to pay four or five times the amount of the tariff. It seems to me that instead of expecting these people to absorb this, they will use it as an excuse to raise prices. And, why not? Has not the dealer a legitimate right to say, "I have to pay more for the product, so I have to charge you more?"

Mr. DAVIS. I think the chairman's point is correct. I have used my illustration in the case of wheat to show that the effect of a rise in wheat, translated into the case of the finished product, is so slight it has no effect on it at all, practically. In the main, however, your statement of the principle is correct.

I want to analyze the proposition that measures should be taken by the Government to save the middleman's cost in the handling of wheat. If you were able to eliminate entirely the middlemans' margin between the wheat grower and the miller, and either absorb that at the Government's expense, or perform the service so cheaply that there would be nothing taken out between the two, then the total, divided equally between the producer and the consumer would not be of sufficient importance in the case of wheat to restore the wheat price to anything near the fair ratio point we ought to have. Let us say the margin of profit and handling cost is 8 cents a bushel on wheat for the elevator's charge.

The CHAIRMAN. You have not added anything for freight?

Mr. DAVIS. I say after taking out the fixed charge of freight which neither this bill nor the Norris bill attempts to alter. Eliminate that from the consideration of the middleman's charge between the man who grows the wheat and the man who manufactures it. The saving would be 8 cents a bushel divided between the 2 or 4 cents a bushel added for the producer and 4 cents saved for the consumer on each bushel which would not cure the basic problem.

The CHAIRMAN. Instead of taking out only the elevator man's profit, let us follow it to the ultimate conclusion and assume that all middlemen's profits between the farmer and the consumer has all been absorbed in this cost of 15 cents for a loaf of bread, and it would cost the consumer about 2 cents. According to our calculations, it would save an amount that would be so enormous that the balance would be almost unworthy of consideration.

Mr. DAVIS. I want to call attention to the fact that I said if you absorb all the cost between the man who grows the wheat and the miller.

The CHAIRMAN. I understand that.

Mr. DAVIS. If you wish, we might consider the saving that might be made in the next step in handling of wheat between the farmer and the consumer, and that is the milling. I am sorry that Senator Ladd has stepped out, because he could enlighten the committee on the experience of North Dakota with the State Mill at Grand Forks.

I am not competent to testify on that point, but if this committee desires to consider in connection with this matter the experiments which North Dakota has been running, it will be easy to get information on what saving the State mill has been able to make for the producer and the consumer.

I would like to call your attention to the bread chart that I referred to. It shows the retail margin in Washington, taking into consideration labor, delivery, store maintenance, credit, etc., 22.22 per cent; the bakers' margin, manufacturing, delivering, and selling, and administration and plant maintenance, about 35.93 per cent; materials other than flour, added by the baker in making bread, 13.88; the transportation margin, 3.21; the milling margin on flour, 5.31; freight and elevator charges translated into terms of wheat, 1.70 and 1.38, respectively.

The CHAIRMAN. Does that mean that the cost that is added to wheat by freight is just about 1 per cent?

Mr. DAVIS. The cost that is added to the final 1-pound loaf of bread by reason of the freight paid on the wheat is 1.7 per cent. That is, in terms of bread.

The CHAIRMAN. Just what—take your wheat in Montana—what is the freight rate from Billings, Mont., on a bushel of wheat to Minneapolis?

Mr. DAVIS. I think about 25 cents a bushel.

The CHAIRMAN. Now, when wheat is selling at a dollar a bushel, that is one-quarter of it taken right there in freight?

Mr. DAVIS. You have picked there the very peak of transportation charges in the United States. This is figured on the average.

The CHAIRMAN. Suppose you go across into Canada and take a point at equal distance from there, practically the same number of miles, what is the freight rate there?

Mr. DAVIS. I think about 60 per cent of the amount charged for freight in this country would be taken; I believe that the carriers receive some assistance from the Government, especially the Canadian Pacific Railroad Co., which is an indirect subsidy to the wheat grower in Canada.

The CHAIRMAN. Is not that fairer than to compel the farmer to bear a loss on something that is absolutely necessary for the existence of the consumers?

Mr. DAVIS. That would be helpful; but I don't want you to lose sight of the main object of the bill, which is to restore farm prices to their old buying power.

The CHAIRMAN. I am not saying that, but it seems to me that you are losing entirely the consideration of the immense cost of distribution of all of the products; but if we raise the price of the products, won't the danger be they will all increase it until it gets to the consumer's hands, when he will have to bear the cost of all these things, and the cost of living will go up correspondingly on these products, and the men will say, "We have to have more wages," and the men working for the railroads will say, "We have to have more wages," then the railroads will increase the wages, and this will increase the freight rates, and it will be going right back to the same old vicious circle?

Mr. DAVIS. Before you adjourn, I want to answer that point made by the chairman. The present union-labor index point is 207, as compared with the 1913 level of 100. And if you follow our theory out, you will see that we hope by this bill to raise farm prices to compare with a general commodity index of about 160, still much below labor. In other words, labor at the present time is in an immensely favorable position to absorb this fair price.

Senator NORRIS. There are only the two of us left now, and it is 12 o'clock, and we will adjourn.

(Thereupon, at 12 o'clock noon, adjournment was taken until to-morrow morning, Friday, February 1, 1924, at 10 o'clock.)

PURCHASE AND SALE OF FARM PRODUCTS.

FRIDAY, FEBRUARY 1, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee proceeded to the consideration of the Norris bill at 11 o'clock a. m.

Present: Senators Norris (chairman), McNary, Smith, Ransdell, Ralston, Harrison, Johnson of Minnesota, and Capper.

The CHAIRMAN. Now, Senator Owen, you have been very indulgent. The committee will be glad to hear from you.

STATEMENT OF SENATOR ROBERT L. OWEN.

Senator OWEN. I wish to submit a few comments on Senate bill No. 1642, known as the Norris bill. I do not assume that anything that I could say would be new to the committee or instructive. I merely desire to come before the committee because of my very active interest in this and because of my sympathy with the purpose of the bill and, above all, because of my sympathy with the farmers of the country.

You have just passed a bill for the relief of those farmers who have been reduced to complete impotence in New Mexico. That condition prevails to a large extent in the Dakotas and in Montana and throughout the entire West, and to my very particular knowledge in Oklahoma the condition of the farmers has been one of extreme distress. A great many of our banks in Oklahoma have failed. A large number of small banks have failed because they loaned beyond their capacity to the farmers considering the shrinkage of farm values and the shrinkage of the value of farm crops.

There is always more or less, of course, drought and other difficulties with which the farmers have to deal, but the one very great difficulty the farmer had to meet was the contraction of credits that took place beginning in 1919. Some of you on the floor of the Senate will remember what occurred at that time. The Governor of the Federal Reserve Board went to New York and demanded a curtailment of credit, and in July, 1919, when there were $19,000,000 loaned on stocks and bonds, Governor Harding demanded that they cut down the loan in a substantial way, and they did. They raised the rate of interest and used that as a means of cutting down the loan. It was effective and profitable. They ran the call rate up to 30 per cent. That was followed by the Federal Reserve Board raising the rate of interest up to 7 and 8 per cent to its member banks. They, in turn, put over a progressive rate of interest which was intended

theoretically to prevent one bank taking advantage of the credit of the reserve banks to the disadvantage of others. Under that progressive rate of interest, the banks throughout the country were subjected to very, very high rates, and, in many cases, rates going to 20 per cent on small amounts. But the psychology of it was that it profoundly affected the stability of credit in the United States. These directors in every bank passed the expression the feeling, and I might say the emotion from themselves to every business man in the vicinity.

The consequence of this general process which was persisted in was that the Federal reserve bank cut down the loans over two thousand million in 18 months. The member banks were therefore restricted by the Federal Reserve Board in this way, and the member banks cut down their loans over two thousand million dollars in a similar period of time. That affected the depositors. They cut down their loans to the banks, in the form of deposits, over three thousand million dollars, so the banks got something the worst of it because the depositors cut down the credit to the banks more than the banks did to the ordinary business people.

The effect, however, of this general policy which was a determined policy, and I say it was a determined policy because when it originated feeling very sensitive with regard to the dignity and good name of the Federal Reserve Board and feeling very sensitive toward the law under which it operated and in the enactment of which I had actively participated, as well as when it was being framed—for I was then, at that time, chairman of the Committee on Banking and Currency—I felt sensitive as to its good name, and I now say that what occurred was the effect of this very determined policy.

When I perceived these high rates of interest in New York, rates running up to 30 per cent, I went to the Federal reserve bank and demanded of them that they should take steps to abate this nuisance, for that is what it was, a nuisance and an injury. It was a nuisance in the sense that it disturbed the conditions of the country, and it was an injury in its resultant effect. I was unable to make any impression on the Reserve Board although I talked to them personally and individually. Then I spoke in the United States Senate and made three speeches against it, and some of you will remember the earnestness with which I plead the cause. We were at that time face to face with a very great and unavoidable recession in the high prices which had been brought on with the war conditions when our Government and the belligerent governments were buying with their treasury zone wide open and with instructions to their purchasing agents to "go get it regardless of the price," and, when the war ended, the Government and the belligerent governments stopped buying and millions of men who had been taken out of productive employment went back in greater or less measure to productive employment and created new supplies of goods while the demands of these belligerent governments ceased. Moreover, the governments which had stored up supplies anticipating further warfare had these supplies for sale, and they dumped these things on the market.

The consequence was that no man on earth could be held responsible for the situation. There was naturally a violent recession of prices and at such a time as that there were those in New York who advocated the doctrine of deflation on the theory that this Government had gone into a great inflation. It was on the false premise of great inflation. I say "a false premise," I think advisedly, because if you ask yourself what is inflation you must interpret it, I think, as a justifiable expansion of credit, and expansion of credit that is unsound, unsafe, and unjust. But here was an expansion of credit made necessary to feed and clothe the soldiers of this country, the youth of America going to protect what was believed to be the very life of this Government itself. Was that an unjustifiable expansion of credit? It was a legitimate use of credit if ever there was a legitimate use of credit, and therefore should not be called an inflation, and it was a false theory to call it inflation. There was some inflation; there was some abuse of credit. There were those who were hoarding commodities in storage, and against that abuse I spoke to the Federal Reserve Board and told them that we were perfectly justified in withholding credit from that class. But the policy was pursued with the consequence that the cost of agricultural products was brought down to far below the cost of production, and the cost of food supplies in like manner was brought below the cost of production in cattle and sheep. Sheepmen throughout the West were ruined. When I was in Oklahoma two months ago they were selling horses at $8 apiece, ordinary horses, common horses, such as are used on the farm. Why, could it be possible a man was selling his horse for $8!

Senator MCNARY. Were they not unbroken horses?

Senator OWEN. No; they were the ordinary farm horse. The trouble was the farmer was broke. He did not want the horse. He did not want to feed the horse, or to be put to the expense—the cost that was necessary to maintain the horse and pay his expenses. The banks had gone as far as they were disposed to go. The so-called guaranty fund of Oklahoma was wrecked by this condition. There was a deficit there of six or seven million dollars. I refer to this because I think it is essential to appraise to some extent the condition in which the farming class of this country are bound, and that condition can not be minimized. It is easy to stand here, comfortably clothed in a warm room, addressing you gentlemen, feeling perfectly well, and it is easy to talk about these people in a cool and collected way, but if you get down to the man in this condition, with a wife and four or five children and with nothing to clothe them or anything with which to feed them, it is a heart-breaking thing. They are human beings just as much entitled to the right of life, liberty, and happiness as anyone else, and I have felt it very keenly and am very sensitive to it, because I feel they have been the victims in large part of an unintelligent governmental administration of the reserve act.

Senator MCNARY. Was Congress impotent in 1920 when this inflation began? Was Congress impotent at that time to correct the situation?

Senator OWEN. No, it was not. I appealed to Congress to correct it and the answer I got was the Medill McCormick resolution.

Senator SMITH. But was Congress impotent?

Senator OWEN. No, it was not impotent. It had power, in my belief, but it did not exercise it.

Senator MCNARY. What was your remedy, Senator, for that situation?

Senator OWEN. My remedy was to use the Federal reserve system to effect a stability of credit. I do not much blame the Reserve Board for free extension of credit in time of war—in fact, I did not perceive myself it was dangerous to go as far as they did go, and I can not and do not criticize them for what I did not see—but when I did see what did happen and when I saw that they were going to attempt to correct it by violent deflation, I knew that would bring wreckage on the little people of the country. I made three speeches on the floor of the Senate. I presented, I think, four different open letters to the Federal Reserve Board and to the President of the United States on this, because I felt it so sensitively and I put that into the Congressional Record, but I could not make any impression on anyone, and the matter became a political issue and a matter of party policy, and it seems to be party policy to advocate the deflation of credit and currency. It even went into the Republican national platform and was put into the speech of acceptance of President Harding. Everybody had believed we went through a great inflation and should go through a great deflation. We certainly went through a great deflation, a deflation that was painful to the country. You are now trying to correct it by this bill to provide a means by which the farmer can advantageously sell his product.

I have read the bill No. 1642 and the bill No. 2012 with great interest and with appreciation. I wanted to express my favorable comment upon Senate bill No. 1642, so called the Norris bill, which provides for the organization of this corporation called the farmers and consumers' financing corporation act and providing for the farmers and consumers' finance corporation. I should have the title made shorter, since any name would serve the purpose and the name will be used millions and millions of times, probably.

In this bill there is the simplicity of providing the means of one great selling agency, one great agency through which adequate storage facilities can be furnished.

We have developed in America the brainest commercial men in the world, and their processes I certainly admire; sometimes their practices are not quite fair and need to be corrected by the Government, but one of the needs by which a masterful control of the markets is established is to establish one buyer and one seller. Then you can dictate the price as high as the market can afford, and I think that while this corporation can not quite dictate the price, it can exercise a very important modification in it, because, at present, whatever particular commodity you deal with, whether wheat or corn, or cotton, there is a time in which nature matures these products and they must go to the markets and be stored, either on the farm or in commercial centers. Some of the farmers have plans by which they store their stuff on the farm. Some of them have no adequate means of storing their stuff on the farms, and store the stuff in the fields, putting their corn in shocks and their wheat in stacks, and finally they get it to market; but, after all, there are a few months in which the goods go to market.

Such a corporation as this, with adequate storage and distributing facilities, could store these goods and could distribute these goods to the consuming public throughout the 12 months and effect a great saving, the benefit of which could be distributed to the farmers on the one side and the consumers on the other. One of the means

by which the Europeans get low prices for the stuff in this country is that they organize and make their purchases through a purchasing agent. In that way they prevent any competition on the part of the purchasers of your stuff. They center their purchases.

Senator SMITH. Going on the modern theory that competition is the life of trade, it is the death of profit?

Senator OWEN. Absolutely. We do not have much competition as the public understands it because there has grown up in America and all over the civilized world a highly developed management which excludes the injury of competition so that it is the purpose in commerce for men to make as large profits as they can and develop these processes which are commendable from the standpoint of the business man but not always serviceable to the public. The farmers have been victimized in both directions; they have been compelled to sell on competitive lines and they have been compelled bo buy on noncompetitive lines. In my judgment there is no problem of greater national import and consequence than for the Government of the United States to find a way in which to make these people that feed the world, that furnish the raw materials on which all our industries and on which our commerce is built, to make them content on the farm. God gives them some advantages in fresh food and in the open air and in more freedom from the trials of city life than come to their city brothers, but they are leaving the farms in large numbers and they are going into the cities to compete with those who labor in the cities. It has been said that there is no community interest between the farmers and the laborers in the cities. There is an important community of interest. They are both the victims of a system of monopoly. They are competing with each other unless they understand each other. If those who labor in the cities are not concerned about the condition on the farm, he who labors on the farm will leave the farm and come to the city and compete with them.

Senator SMITH. I have a telegram from Arizona calling attention to this as well as from the other parts of the Cotton Belt in the midst of a short crop. There is an organization alleged to be in the process of forming the old world and the new world into one organization to restrict consumption and by organized and united effort dictate the price.

Senator OWEN. I disapprove their methods of publicity. It is liable to interfere with the success of their venture if they give too much publicity to it, but that kind of thing is going on always because that is the only natural process of commerce. You might just as well recognize the fundamental principles that move men. The farmer has been the victim in two directions, both in what he sells and what he buys, and unless we make the people on the farm content this country can not be prosperous and happy as it should be. And, more than that, I might call attention to the political upheaval that is threatened in the country. It is not just a small matter you are dealing with here, but you are dealing with the foundation stones of this Government. I regard this committee as the most important committee in America to-day and I sympathize with your efforts in getting results, and I would not be content with this bill for there are other bills that no doubt in due time must come before you for consideration, but I want to express my sympathy for the Norris

bill and the purpose of it, and to express a hope that you will perfect it in such a way that it will be entirely acceptable to the Congress and the Senate.

Senator RANSDELL. How should that be done?

Senator OWEN. In perfecting the bill.

Senator RANSDELL. What suggestion would you make?

Senator OWEN. I think the bill is in excellent shape as it is. I am quite content with it. I have observed nothing that I thought was objectionable in the bill. I think it is better than Senate bill 2012, because it does not attempt to fix prices. I think the fixing of prices is a very difficult thing to establish; its consequences nobody knows. Sometimes it is beneficial and sometimes it is not beneficial. When we fixed prices for the farmers during the war we did them a great injury, because the demand for the product proved to be higher than the figure that was fixed; and, after all, we can not by legislative process change the law of gravity. We can not do that. All we can do is to provide the mechanism by which people can be permitted to help themselves. We can prevent the farmers from being victimized and we can help get for them a fair value for what they have.

Senator SMITH. Don't you believe the ultimate solution of this problem would be the working out of a system of credits that will automatically inure to the benefit of the individual producer?

Senator OWEN. I think we have a system of credit that is advantageous. We have gone far with all the banks to provide this mechanism and I am in favor absolutely of the gratuity you have given to New Mexico.

Senator SMITH. We have the mechanism, but the discretion allowed, the administration element, is so broad that their policies are as disastrous as the deflation was.

Senator OWEN. The policies of the reserve board seem to move the major party of the country to control, and I think the major party has a right to control. I believe it was a mistake, and I would not be disposed to expand on that unduly now, for it is easy enough to see now that it was unwise. If a man is silent when he recognizes the wrong of a thing he has no justification in criticizing it. The only justification I plead now is the fact that I did urge that something be done, and therefore I feel that I am justified in making criticism that I have made.

Senator SMITH. In my study of the law, I was wondering if there could not be such amendments placed on it as to make it impossible to bring about such a deflation as was brought about before?

Senator OWEN. I put in the original act a proposal that might have done that, but it was stricken out. That proposal was "This act shall be administered with a view always to giving stability to credit"; that was the purpose of the act. With a tendency to inflate, the power of the act should be used as a governor to prevent that, and when there is a tendency to deflate, it should be used to prevent it.

Senator RALSTON. You have studied both of these bills. In your judgment should they both be enacted into law?

Senator OWEN. I don't think so. I think the objection to bill No. 2012 is in its second line. It is a temporary measure. The agricultural needs of this country are not temporary; they are permanent; and they need a permanent system if they are to be remedied.

Senator RALSTON. If that is the only objection that could be modified.

Senator OWEN. That could be modified, but it goes on and it interferes with the liberties of the people. It states, for instance, of penalties and it says, "Any person who fails or refuses to tender or to accept or demand script in violation of subdivision B" shall be liable to a penalty. The idea is that everybody shall be compelled to do this under penalties. Now, we all know that everybody is not going to do it.

Senator JOHNSON. Don't you consider the opposition to the Norris bill is now and has been caused by the reason that the business people of this country do not like to see some one else doing the business?

Senator OWEN. That would be inferential.

Senator JOHNSON. The State of North Dakota built their own mills and elevators and conducted a State-owned proposition. They found they could not compete with that institution, and that is what the opposition of this bill is. I have always been in favor of the Norris bill and I am in favor of it now. But I just wanted to say that that is the reason it is so hard to get it through, because they think it will take some business away from them.

Senator OWEN. I think it will have the effect of making those in the business now more reasonable in their attitude.

Senator JOHNSON. One more question. You talk about the credits there. I know that the people where I live think that they have too much credit now. What they want is a fair return on their product, so as to pay their debts.

Senator OWEN. I think that is quite true. It is not credit so much that the farmer wants as it is an opportunity to get, as you say, Senator, a fair return on their product. When they had free credit the prices went up to high figures and the farmers employed the credit to buy land and cattle, and when the credit was withdrawn it put them in bankruptcy. Some of the biggest banks in the country were on the verge of destruction. I simply wanted to express my sympathy with the bill.

Senator RANSDELL. Is it not the artificial price-fixing provisions of the bill, 2012, the McNary bill—I say the artificial price-fixing features of the bill—rather than what might be called the natural price-fixing features of the Norris bill, Section 9, which causes you to favor the Norris bill over the McNary bill, one being the result of a statutory regulation and the other the creation of a corporation that will operate in the same manner as other corporations in industries do?

Senator OWEN. I think that either bill will produce a price at least as high as that fixed in the McNary bill, because I am convinced that an orderly marketing system will bring fair prices, and the prices proposed in bill No. 2012 are quite fair. It is only taking the pre-war price and modifying it as shown by the index figure. But that is not the point. The only point I am making is that we should adopt the simplest mechanism. We should have the least detail of auditing. I think the less auditing the better. I think what is needed are storage warehouses, and agencies through which these products can be cleared and sold, and agencies through which this matter can be handled on a large scale and in a commanding way, and in that

way the small element in the trade would follow the lead of the larger organization.

Senator RALSTON. Does not the Norris bill provide for a big organization in the interest of farmers more effectively than the McNary bill?

Senator OWEN. I think it does, and for that reason I should prefer that bill.

The CHAIRMAN. We are very much obliged to you, Senator. We will adjourn until to-morrow morning at 10 o'clock, when we will resume and take up a further consideration of Mr. Davis's questions.

(Thereupon, at 11.45 o'clock a. m., adjournment was taken until to-morrow morning, Saturday, February 2, 1924, at 10 o'clock a. m.)

PURCHASE AND SALE OF FARM PRODUCTS.

SATURDAY, FEBRUARY 2, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Gooding, Smith, Ransdell, Harrison, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order, if you please, gentlemen. Mr. Davis will continue.

STATEMENT OF MR. C. C. DAVIS—Concluded.

Mr. DAVIS. There are a few points that are frequently raised in objection or opposition to the principle of this measure that I would like to have your permission to go into in closing my review of the McNary bill. One that is frequently heard is that we are planning an organization here to dump a great and a new surplus on the foreign markets in such manner as to depress the world price or to influence it adversely. I think it is apparent that this measure or any export measure does not propose to create any new surplus to be sold abroad, but it will simply be disposing of what is now a surplus that has to find its market abroad at the world price level, and do it in an organized manner instead of a disorganized manner. Instead of having the effect of affecting the world prices adversely, selling of the exportable surplus under the direction of a central agency should have rather a tendency to stabilize than to depress the world price, because, as I say, you are not creating any new surplus to be dealt with.

That brings up the question which also is frequently raised in opposition to this and similar measures as to whether or not this would tend to increase the production of wheat, assuming now we are considering its effect on the wheat crop, and thus intensify the problem we are trying to solve.

It must be borne in mind in that connection that this price which we hope to reach under this bill is the fair exchange price that obtained for the 10 years prior to the war. It is not above that. It is just the same price in purchasing power that obtained in the 10-year period before the war.

Senator GOODING. I think you had better, when you get through with that part of the question you are discussing now, you had better tell the committee something about what is meant by the increased production of wheat in the bill. It is exactly the same as my bill,

which has been attacked by, I think, the Secretary of Agriculture, and which the President thinks will do more harm than good. If it increases the price, you have got to expect it will increase production just so much—I don't mean in Europe.

Mr. DAVIS. That is the point that I am about to develop.

Now, Senator, there is a difference between a fixed guaranteed price and the putting into effect of a force that will hold the price at its pre-war relationship to other prices, because if it holds it there, then you have the effect of the same price in purchasing power that obtained before the war, and that did not result in the increasing of the production of wheat.

Senator GOODING. What difference is there between this bill and my bill? This bill increases the prices more than my bill. If you increase the price, of course there is the fair exchange you are discussing; but if my bill would increase production, surely then this will, because it puts wheat up higher.

Mr. DAVIS. If your bill did not raise the price of wheat above its normal relationship to other prices then it would not have an economic tendency to increase the production of wheat unduly. I believe that is true. If your bill did not raise it above the normal schedule it would not have the tendency of increasing the production of wheat.

Senator GOODING. I am not alarmed about that. I know something about the wheat districts in this country. The price has only been kept up as far as the average is concerned by the new States that have developed wheat growing in the last few years, and that is especially true in the irrigation projects, but in Kansas, Nebraska, and my own State, where they have been farming 30 years, the yield has slipped back a little.

Mr. DAVIS. The second point I want to make is that this return tax is an automatic brake itself on overproduction. That is, if there did appear a tendency to raise this surplus amount to be sold abroad, that would increase the total amount of loss, and increase the amount charged back on the wheat growers. This in itself constitutes an automatic brake that will be applied to a tendency toward overproduction.

One observation before we leave that point: During the war we had every agency that you could conceive of concentrated with a view to increasing the production of wheat, and notwithstanding that and a profitable price for wheat during that period, the production of wheat never reached the billion-bushel mark during that period or as a result of it, and at no time was the production of wheat raised to a point where the operation of this measure would not have been possible to the benefit of the farmers.

The CHAIRMAN. If you are through with that I want to ask you a question: I can see very clearly this automatic brake you speak of. I think it will operate as you say. I believe it will do just that. But, in order to have it do just that, speaking now of wheat as an illustration only, you will have to have every purchaser of wheat everywhere in the United States come in under this bill. In other words, there must not be any loophole left open where any man who produces will have a chance to sell it without being compelled to take this scrip which is the security for the loss. If there is any way for anybody to be left out, everybody will try to be left out, because the fellow who is left out will get the benefit of whatever

price increase there is, and if he is left out he will not come in on the losing part of it.

Mr. DAVIS. That problem is possible of solution, Senator Norris, through the three main agencies in which wheat primarily moves in the trade, your elevator, your primary mill, and the railroad where you have the direct track loading. These agencies would be made responsible for the collection, just as the theater is responsible for the collection of the theater tax, just as the drug stores and ice cream stores collect the tax on their goods.

The CHAIRMAN. Every miller that buys wheat direct from the producer, every elevator man who buys wheat directly from the producer, every railroad man who ships wheat direct, would collect that tax; that permits the producer himself to ship wheat. They all have to be brought under the supervision of this corporation that is set up in the bill.

Mr. DAVIS. They will all have to pay part of their price with a certificate which represents the portion that they are asked to transmit to the corporation to pay its costs and losses.

Now, the amount of supervision need not be, I think, so very great, because there is this difference between what a cooperative organization might do in similar circumstances and what the Government would do. Back of the Government operation is a police power, a power that is generally respected, and the elevator that handles 100,000 bushels of wheat in a season knows that the fact is readily ascertainable at any time during the season, and if the records show they have not transmitted the tax on that quantity he is easily taxable.

Senator GOODING. They would have to be licensed to do business?

Mr. DAVIS. That might be the action.

The CHAIRMAN. Does the bill set up a measure for doing that?

Mr. DAVIS. I do not believe it does.

The CHAIRMAN. If you will drop wheat for a moment, suppose under the authority given this commission they declared an emergency existed with regard to potatoes. They would have to license everybody that bought potatoes. If the Government through this commission decided that an emergency existed with regard to beef, then everybody who bought beef would have to be licensed, whether they bought the finished product or bought the cattle on the hoof?

Mr. DAVIS. You would have to require in the case of meat products that the bill of lading accompanying the shipment had on it a notation showing the equalization fee has been paid.

The CHAIRMAN. If a farmer sold a steer to a butcher, that butcher would have to send in some of the money. You would have to license every man who bought anything of that kind.

Mr. DAVIS. There is probably a margin, such as in the case of the farmer selling a lot of seed wheat across the road to a neighbor, upon which the tax would not be collectable from a practical standpoint, but, as the wheat moves in trade, in any volume, I believe the tax is collectable. A single transaction through a local butcher might be difficult to handle, and it is probably true in all forms of excise taxes that there is a certain fringe or margin that escapes the collector. I imagine that is true of every form of draw-back tax that the Government has attempted to administer. Is not that true?

The CHAIRMAN. Yes; I think that is so. It might not be a bad idea if that sale could be eliminated, because if we got more of that kind of business done you would help the producer and consumer both.

Mr. DAVIS. To save the freight charge?

The CHAIRMAN. Yes; the freight charge would be saved.

Senator JOHNSON. In every community you have some farmer that raises clean grain for the purpose of selling it in the spring for seed to his neighbors. Now, I suppose that farmer that sells the clean grain he will also give scrip to the farmer that buys it from him?

Mr. DAVIS. In answer to that, Senator, I will say the same thing as I did just now on the question of practical application of this principle to these transactions with these farmers, and I believe in a practical way this tax will be collected as the commodity moves in recognized channels of trade, rather than on transactions between your friend and his neighbor.

Senator JOHNSON. You think so?

Mr. DAVIS. I think, from a practical standpoint, it would be difficult to police the sales between you and your neighbor.

Senator JOHNSON. As you know, we have over 100 different grades of wheat alone. Of course, we do not say we have to use all the grades, that is not necessary; but there are many different grades in even one locality. If I go into town with 100 bushels of No. 2, for instance, well, that ought to be set forth on this scrip, with the grade and price, and my neighbor, he goes in with 100 bushels of No. 3, and that would be set forth on the scrip, the grade and price; would not that be an endless chain of bookkeeping, and would not that necessitate a continuous plan for keeping track of these things, of the amounts and of the different grades?

Mr. DAVIS. Look, Senator, at what that scrip is: It is nothing more than a certificate that a certain amount, a certain sum out of your purchase price has been withheld from you.

Senator JOHNSON. Yes, I see.

Mr. DAVIS. By the corporation to finance the cost and losses in the operation.

Senator JOHNSON. Yes, but the grade is stated and when that grade is sold, we have another piece of business. We have been trying it in different organizations. They sell right along for, or course, they are not able to pool it very long, and they have to sell the different grades, and I know what bookkeeping we have to go through. Every farmer goes according to his grade. That has to be ascertained. Now, in potatoes, we have seed potatoes, we have certified potatoes that bring a higher price and ——

Senator GOODING (interposing). Don't you think the farmers would give this measure pretty general support all the way through? The seed man who is interested in getting fancy prices—I have confidence enough in the farmer to think he will come in very generally in that; there may be some exceptions, but not many.

Senator JOHNSON. The man who raises certified seed potatoes, where will he be in on this? He has an inspector there. They have to certify under the laws of Minnesota.

Senator GOODING. This bill does not apply to potatoes.

Senator JOHNSON. Potatoes are eliminated?

Mr. DAVIS. You have to draw the line somewhere.

Senator MCNARY. That is a very important question.

Senator GOODING. The grain corporation set up 19 different grades, I think.

Mr. DAVIS. Let me point out, Senator Gooding, in answer to Senator Johnson's question, that whereas in your pool you merge together all the grain of every subclass and every grade in each subclass and pro rate your money back to the participant in each one of the pools, that is not necessary under this measure. Assuming you find an emergency exists in the case of wheat and you have your general subclasses of spring and winter, your ordinary grade differentials will rule as to what your primary buyer pays you. That does not need to be kept separately. You would estimate that in the case of the hard spring subclass you operate as one equalization fund while you do the same thing in your other classes. You would not need anything like the 19 subdivisions. You would have two or three, or you might have to have four, but no matter what grade you had in each one of the subclasses, each one of the grades would have to pay the same proportion to meet the loss on that fund.

In the case of hard milling spring wheat the loss through export would not be heavy, but each grade would be lifted to a higher price level by reason of this corporation, and would be benefited practically the same number of cents. You raise the whole level on each of these grades in the subclass sold.

Senator JOHNSON. You know, in the grain business, suppose I raise rye—well, let us take wheat, and I send in a carload and my neighbor sends in a carload. I send in, for instance, one carload of No. 1. We can go a little lower down to get an illustration of what I mean. Mine is poorer in grade and mine is so poor that it should almost go in No. 3, but after it has been tested, the test weight put on, it perhaps goes in No. 3, but it should go in almost, not quite, No. 4. I want you to understand the point I am trying to get at. My neighbor gets in another carload and that carload is a pretty poor wheat. It is so poor that perhaps it did not go in No. 4, but almost goes in No. 4, and happens to go over in No. 5. Supposing after ascertaining the test weight on both of them they all go in No. 3. Do you get me on that? It all goes in No. 3. Here is the miller looking at the sample and he says, "Well, this is almost good enough to go in the class above. I guess I will pay 4 cents a bushel more for that." But in the end it all goes into one grade. That is the way the farmer is skinned right along, through discrimination against the one that raises the better wheat. Now, the reason I brought this up was this: What are these elevator men going to do? Here comes one load of grain to be dumped into the bin. There are only four or five bins. They all go in and Mr. John Smith's goes over here in No. 3, and Mr. Ransdell's in No. 4, but suppose the whole thing goes into No. 4? When the credit is figured up, what happens then? Can you explain that?

Mr. DAVIS. I think I can.

Senator JOHNSON. On probably several thousand bushels of grain?

Mr. DAVIS. You must get this basic thought in your mind, that this scrip does not take into consideration the various grades in each subclass of wheat you are dealing with because these various grades

are subject to the same price differentials that they may have been subject to before. All the different factors of value that obtain now in wheat would operate to make price differences just as they have done before.

There are different factors of value that obtain even in wheat of the same technical Federal grade. The export corporation's work would result in all these grades selling at the higher level rather than the present low level.

Senator JOHNSON. My point is this: We haul in there five minutes apart, and mine is almost good enough to go in No. 2 and my neighbor's is almost poor enough to go in No. 4, so we both go in No. 3. Do you mean to say then that I can get the right price from the elevator man, because, after all, it is up to him?

Mr. DAVIS. I do not say that. I say the same price difference would obtain. You would each pay the same amount to your corporation to finance its operation costs and losses per bushel.

Senator JOHNSON. I do not know if you get me. Take the situation in livestock, for instance. When I came in with a veal calf they made a Roman figure on the calf, showing that calf belonged to me. When it came to the hogs, did they do that? No. At first they began to mark them, but then they found out it was too much work to do it, and they put all the pigs or hogs into the same pen and then tried to find out what the shrinkage was. In the end, when I got my check I probably got something that would help my neighbor, or it would be vice versa. Under this credit scrip system would I take the receipt there or shall I wait and get the credit from St. Paul? I just want information.

Mr. DAVIS. I want these wheat points cleared up.

Senator GOODING. Let me ask you a question.

Mr. DAVIS. Let us take one at a time.

Senator GOODING. I understand you will do exactly the same as the Grain Corporation did during the war. There will be No. 1 northern spring wheat, and, as under the Grain Corporation methods, it will be bought on its merits by the elevators and these different grades will bring what they are worth.

Mr. DAVIS. There are certain differentials between grades in each subclass, and each one who sells any of the grades in the subclass benefits by reason of the fact that the whole general price table has been raised. I want to answer Senator Johnson: If you are not satisfied with the way your elevator handles the wheat—this bill has nothing to do with that—if you are not satisfied I believe the soundest method of regulation lies in a cooperative association. That is the place where your local farmers' elevator comes in, to regulate the practice of the existing grain trade out there by their competition, and that is where the pool to-day is doing a wonderful work. It is the competitive factor in the grain field that is making the other fellows reduce their margin of profit. The margin of difference between grades will still be a matter of the application of the trade preferences for different grades of wheat. If the farmers are not satisfied with the operation of the elevators, the answer is that they should run their own grain-handling business.

Senator JOHNSON. In every town they have a flour mill and where they have the flour mill it is paying more than the elevator. Under this bill, will that stop the mill from paying over the ratio price?

Mr. DAVIS. There is nothing to stop them from paying as high as they want to, and the competition between the local people will be just as active under this system as under the present one, except they will all operate upon a higher general table of values than exists at the present time.

Senator JOHNSON. Supposing that this corporation is now going to function only when we have an emergency. That is the way I understand it. Supposing there is an emergency and this corporation functions. Of course, I understand, then, the millers have a right to go over that. They have, have they not?

Mr. DAVIS. Yes; they can go over all they want to.

Senator JOHNSON. Yes.

Mr. DAVIS. Now, what is it, Senator, do you understand, that causes the emergency to cease? Do you understand under this bill what it is that causes the emergency to cease?

Senator JOHNSON. Yes.

Mr. DAVIS. That it is a rise in the world price level to a sufficient height to permit the domestic price to reach its normal or pre-war relationship with the general price level?

The CHAIRMAN. Suppose you put this in dollars and cents and assume the price? That, I think, will make Senator Johnson's question clearer and the answer clearer. Take one of the illustrations he gives and this grade brings so many cents, what will the certificate be that that man gets? Let us put it this way: Supposing one farmer brings in a load of wheat, as Senator Johnson says, which is graded as No. 2, but it is a very low No. 3, right down to the edge; it is pretty near No. 2, but they put it in No. 2. His neighbor brings in the same number of bushels graded in No. 3, but it is very high No. 3, and nearly up to the point of No. 2. The value is practically the same, one on each side of the arbitrary line. Suppose No. 2, under the operation of this bill, is selling at $1.50 a bushel, and suppose for that grade the commission has decided they will take out 20 cents a bushel. How much will they take out of the other fellow's?

Mr. DAVIS. Just the same amount, 20 cents in both cases.

The CHAIRMAN. I think that makes your answer plain. The amount you take out is the same in one case as in the other. It has all been bought on the market value by the elevator, and when they come to get the returns, suppose at the end of the year the loss on the export part of it has been 10 cents a bushel, that means that the scrip that the man who took out 20 cents for a bushel, the owner of the scrip, will get 10 cents for it. The man with the No. 2 grade, scrip for the No. 2, and the man with the No. 3, will get the same money back?

Mr. DAVIS. That is right.

Senator GOODING. That is fair.

The CHAIRMAN. I understand, Mr. Davis, that in this bill you have carefully avoided, as far as possible, interfering with the regular machinery for handling the product of the farm, that you do not interfere with it, practically, at all? Is that true?

Mr. DAVIS. That is true.

Senator JOHNSON. Under the Norris-Sinclair bill, if we can have a great corporation that would do business just like the other big corporations are doing it now, what would happen? I know, and

the chairman knows that you put them in the hospital elevators and draw the grade up, you would be surprised how much the farmer would gain if they had something to do with the grain corporation. That goes to the other fellow now. We could have it so that we could clean it, and doctor it, and pull it up. Under this bill, what would happen then, Mr. Davis? Would we be put in a position to lease warehouses in which we could take in low grade and run it through the elevator and send it out as a better grade?

Mr. DAVIS. I think the language of the section defining the power is similar in the case of the two bills, but may I ask the Senator a question? Assuming under the Norris bill that your corporation is an operation, Senator, how would you affect prices? That is the primary object of this legislation.

Senator JOHNSON. We will affect prices this way: We do such enormous big business, you understand, because when the people have the confidence in this concern they will keep that confidence because it is under the supervision of the United States Government. That is the reason, I think, if we will have an opportunity to take care of our own grading in the warehouses, we could get all that benefit now that goes to the Grain Corporation.

The CHAIRMAN. Let me also answer your question to Senator Johnson, and take as the basis for it, first what Senator Johnson said about doctoring this grain and raising it to a higher grade. That is done now by corporations and men whose object is, and I am not complaining about it, it is legitimate, whose only object is to make money for themselves. Now, we are going to do this same thing by the corporation set up in my bill, but the only object that corporation has is to save money for the producer and the consumer; they are not in there to make money for themselves. They will know when they buy the grain they can doctor it. When they pay the farmer a higher price for that they know that they are going to put it in on a higher grade. In other words, they will work for the farmer instead of for themselves.

Mr. DAVIS. I understand, and can see that perfectly. May I ask you a second question?

The CHAIRMAN. Yes.

Mr. DAVIS. Assuming by so doing you raise all the No. 3 to No. 1, for an extreme illustration, how many cents to the bushel would you save the farmer and the consumer?

The CHAIRMAN. You would not save very much, but that is one of the items that enters into the project and that would be one place where it would do some good.

Mr. DAVIS. You understand that the basic problem you have here and the trouble that we aim to remove is to restore farm prices, and I am asking Senator Johnson to show me, and I am sincerely interested to know, how the Norris bill will accomplish that.

Senator NORRIS. The Norris bill will do that, which this other bill would not do. Under the other bill it would not do that.

Senator JOHNSON. When Doctor Braun, a few weeks ago, was before the Minnesota Legislature, they had a conference in Minneapolis, in the Chamber of Commerce Building, with many grain men. We asked questions, because the storage proposition was up for discussion, and I asked Doctor Braun to answer me a few questions. I said, "What is the average price per bushel for the last few years, the cost per bushel, to take one grade up to another grade?" He says, "The average is three-quarters of a cent a bushel." "Do you mean," I said, "just to run it through the elevator once costs you only that?" He said, "Yes." Then I asked him what was the difference in the price of this grade when it was turned out even in one grade higher average. Well, he could not answer that question. We knew that at the time, because we have followed this grain business all along.

Mr. DAVIS. I think if you will sit down with a pencil and paper and analyze these comparative features you will see that after you have made all these possible savings, and assuming all the costs of operation were borne by the Government, you would then still not have raised the price out in the country to anything like the degree that the operation of the McNary bill would have done, and what I said as to the wishes of the people in Montana is true; I believe the farmer psychology is the same in other States, and what we are interested in is getting the purchasing power of a bushel of wheat where it belongs.

The CHAIRMAN. I think that is laudable. Let us take the same illustration Senator Johnson gave and I gave in my prior question. One farmer brings in wheat which grades, probably, No. 3, which is just below the line of No. 2. Another farmer at the same time brings in another load of wheat and it grades No. 2, but it is just above the line of No. 2. The man who buys it puts them together and the whole thing is No. 2, then, is it?

Mr. DAVIS. It could easily be.

The CHAIRMAN. Yes; and that is one of the things that is done right along. That is, dumping them together as they come in, and he can probably take the third farmer's load, that came in as No. 4, maybe, and take out some of the stuff that is in it and put it with the No. 2, and he can make money with the stuff that he takes out of the No. 4 originally.

Mr. DAVIS. I am not arguing against that at all. I know that condition exists. My only point is that after you have made that saving, have you made enough to affect this price?

The CHAIRMAN. No; I do not think so.

Senator GOODHUE. I think that is a good point to work out. Unless you help him more than 3 or 4 cents a bushel I don't see what good you are going to do to the farmer.

The CHAIRMAN. What is the difference between No. 2 and No. 3?

Mr. DAVIS. I imagine about 3 cents.

Senator GOODING. I understand there is only 3 or 4 cents difference between the price of our wheat in this country. There is only a profit of about 3 or 4 cents that the exporters get out of the wheat.

The CHAIRMAN. I was confining it to the mixing process. But that is not the only way to raise grades. If a sample were put in a certain grade because it had something else in it, and that something else in it was, of itself, very valuable, the farmers would have the wheat graded down, but the elevator man would take that out and his increase would be maybe two grade, but he would sell what he took out, so if he sold it all on the same grade, he makes money, but by that operation he not only raises the grade two or three notches, but he is making money on the stuff that he took out before he raised the grade of the wheat. There is a difference, I think, between the

two bills. If the Norris bill were operated properly the farmer would get the benefit, and under the McNary bill he would not.

Senator GOODING. The Government would then have to buy all the wheat and handle it and export the wheat, etc.?

The CHAIRMAN. That is what the corporation is for exactly. The corporation would do exactly what any other dealer would do, only the difference would be they would not be there for profit.

Senator GOODING. You would have to take over all the machinery that exists at the present time?

The CHAIRMAN. No, not all of it.

Senator GOODING. But, to get the benefit for the wheat grower they would have to do all these things which the wheat grower would do for himself now?

Senator JOHNSON. What he has been trying to do.

Senator GOODING. The Government will do all these things if the farmer gets the benefit, and if he does get that benefit he is only 2 or 3 cents a bushel per grade better off.

The CHAIRMAN. I does not mean that this big corporation would buy all the wheat. If one big corporation were big enough so that it could go into the market and offer such a price for wheat that the others would be eliminated, it would pay the corporation to do the business.

Mr. DAVIS. I want you to understand that I am on your side of the argument, Senator, on this saving in grading, cleaning, and handling, although I am favorable to having the farmers' cooperative organizations handle the mechanics back of this operation.

In our State the Montana Wheat Growers' Association, with 11,000 members, is probably providing the most effective wheat-marketing organization of farmers in the United States, and the mechanics of handling wheat ought to be handled by them if we are going to get effective organization.

The CHAIRMAN. Now, this organization I have attempted to set up would not interfere with that. In drawing the bill I was particular in setting forth the names of cooperative organizations, not only of producers, but of consumers. We have defined "person" to mean a cooperative organization of producers and consumers, or consumers, the idea being that it would develop the cooperative associations.

Senator RALSTON. I do not know whether I understand this testimony or not. It is a fact that the farmer who delivers a load of wheat to the market, to illustrate, testing No. 2, is entitled to a better price for his wheat than is the farmer whose carload tests No. 4?

The CHAIRMAN. That is correct.

Senator RALSTON. Suppose they are put into the same bin, to what extent is the price to the farmer who has the good wheat reduced?

The CHAIRMAN. That does not reduce his price.

Senator GOODING. No; it does not.

The CHAIRMAN. They take out the same amount for everyone for all grades. There is not much No. 1 wheat grown.

Mr. DAVIS. I might say that out in Montana 75 per cent of the spring wheat grades No. 1.

Senator GOODING. I would like to answer Senator Norris, and I agree with him that if the middleman could be eliminated the cost of living would be reduced and the farmer would receive a fair price, the ratio price, or above it, for his production, but that would not be true as far as grain is concerned. It is handled in great volumes, and we are, of course, all willing to concede that these elevator men make good profits. There is no question about that, yet the profit on a single bushel of wheat is so small that if the farmers saved it, it would not help them much.

The CHAIRMAN. What is the object of the cooperative organization?

Senator GOODING. It is the ideal thing, in my mind, but this is what I have found: They have not been able to do business as close as the big companies do it. I would agree with you on most any other agricultural product that you might bring up.

The CHAIRMAN. Except wheat?

Senator GOODING. Yes.

The CHAIRMAN. Let us put wheat up to you: If a corporation in wheat among wheat growers is a good thing, then it must follow, if there is any material profit made at the present time by dealers in wheat, your argument that nothing could be gained by the corporation is destroyed. The only thing the corporation can do is to eliminate the unnecessary expenses on whatever product there is, as it travels from the producer to the consumer. That is all there is in it.

Senator GOODING. It might limit production, where there is an overproduction, the same as everyone else does. Your corporation must do that.

The CHAIRMAN. Your cooperative organization does not limit production?

Senator GOODING. They will have to. That is the reason why your bill does not help the wheat grower very much. There is an overproduction of wheat in the world. We have 200,000,000 bushels of overproduction, more than was produced during the war. There is an underconsumption of wheat; France is far below her normal consumption of wheat; England is below, and we are not far off. So we have an overproduction. What are you going to do with it, unless you raise the price? The McNary bill raises the price 75 cents to the American people. There is where the McNary bill will give the wheat grower immediate relief.

The CHAIRMAN. That is plain enough.

Senator GOODING. The point I am making is that it won't help the wheat grower. The wheat grower is the man who suffers. He is the individual that the Government is destroying by protecting the men in the shipyards and on the railroads and the other lines of activity. That is the condition we have confronting us. It is an emergency in my mind, to the wheat grower. He can not go on with the present cost of production; he has to have help and must have it, or else you will have more bank failures all over the country.

The CHAIRMAN. My own idea is that this corporation I am attempting to set up would increase consumption of everything the farmer grows, because the corporation would have the power to sell, particularly in Europe, where they are not getting enough to eat now, because they can not buy it, and you can not sell it to them unless you sell it to them on time. There, for example, would be another place

where the consumption of all this product would be greatly increased, by feeding the people in Europe, who can not now get it.

Senator GOODING. When I look at Canada, I am amazed. There is an increase there from somewhere around 100,000,000 bushels, from more than 150,000,000 bushels before the war, up to 470,000,000 bushels this year, and with their opportunities for development of the wheat-growing industry in Canada, why I would not be a bit surprised if Canada would not be able to grow all the wheat we need. I do not know, for the life of me, how you are going to help the wheat grower in the foreign market very much. The Argentine situation is not unlike the Canadian situation, either.

The CHAIRMAN. But, you must remember the people who are not now eating bread, because they simply can not get it.

Senator GOODING. That is true, and it has been true since the dawn of civilization. We have given $1,000,000 in charity in Europe, and all over the world billions of dollars since the beginning of the war, to people who were starving. It seems to me now that charity should begin at home.

The CHAIRMAN. If all the people who are now not eating bread were to eat it, there would be a vast market created for wheat; but we can not expect them to eat our products unless we supply them with our products.

Senator GOODING. I think that under the Norris bill you can save three or four cents a bushel, but that is not enough to help the wheat growers any at all. I say again that charity should begin at home.

Mr. DAVIS. I would like to return to the point concerning the question of the effect of this on production.

I want to make this clear for the record in view of a letter which Senator Ralston read yesterday morning before the committee hearing was opened. That raises the question, and it is an economic one, of the proper utilization of our lands in the United States that have been brought under cultivation. And it is apparent to anyone who studies the problem that the land phase is one of the basic underlying difficulties in our agricultural readjustment. The McNary bill merely aims at the restoring of prices to the pre-war normal relationship to the general price level, and it is not intended, in any respect, to keep the marginal farmer on the land. It was not intended, in its operations, to keep on the land the man whose operations would only be profitable during the period of extraordinary high price levels. I think any movement of that sort would be an inevitable stimulus to production, and would bring into play forces that would destroy any system in time.

Now, I have a chart prepared that I would like to call the committee's attention to, illustrating the matter you and I were discussing when adjournment took place the day before yesterday, Senator Norris, and that was the present relationship between wages, the general commodity level and the price of wheat. That chart hanging on the wall is based upon these factors: We start from a point in 1913 on the 100 basis, and the solid black line shows the wheat movement; the broken line refers to the Department of Labor commodity index, which is mentioned in the bill and which has been referred to in the testimony. The broken line represents the study of the New York factory wages, and here is the period we are in at the present time.

The operation of this measure would tend to bring the wheat price represented in the solid line into conformity with the other commodity costs represented by this line [indicating]. The point I wish to make is that labor with an index above 200 is in a very favorable strategic position to absorb that fair exchange price of farm products which you see would be raised to about 160. The whole consuming power of the United States is in a strategic and favorable position to absorb that fair exchange price without giving impetus to the vicious circle. Following this line out just a little further, I think it is recognized by the students of labor who are in sympathy with labor's problems that the biggest menace labor faces at the present moment lies in the movement of farmers from the farm to the city where they are bringing about intensified competition that will inevitably result in lowering labor's wage level. It seems to me the economic interest of labor will be advanced by seeing a fair exchange price of farm products restored on the farm so that a check will be placed on this movement of the farmer to the city. The bars are put up at the front door through restrictive immigration legislation favorable to labor, but the bars are down at the back door, and over 1,200,000 people, in 1922, moved from the farms to the cities, and this condition will be hard for labor to face.

These are the points that I wished to make and, unless there are further questions, that concludes my testimony.

Senator GOODING. I think I can show you that that line, where wheat is concerned, is entirely too high, except in 1917, and maybe at that point it is also too high. In 1917 we commenced to increase wages and the prices of commodities commenced to increase and went steadily up in 1918, 1919, and 1920. I believe I will have to differ very much, according to my figures, with your figures there; for, according to my figures, 1920 is when the farmer reached the peak in production and then came the crash.

STATEMENT OF F. W. MURPHY, WHEATON, MINN.

Mr. MURPHY. Gentlemen, I do not wish to take up very much of your time. I would not be in a position to answer very technical questions about this bill, but I have a very general idea of what I think would be the results of the enactment of this bill into law.

I have operated a great deal of land at the lower end of the Red River Valley for a great many years. I come from a diversified farming section. I do not think that the situation of the wheat farmer, on the whole in America, is any more acute than the situation of the general farmer.

The CHAIRMAN. Are you engaged in farming now?

Mr. MURPHY. Yes; very extensively.

The CHAIRMAN. Is your home in Minneapolis?

Mr. MURPHY. No; my home is in the western part of the State. I appreciate very keenly the fact that I am engaged in farming.

The CHAIRMAN. In what line of farming are you engaged?

Mr. MURPHY. My experiences have not been very pleasant during the last four or five years. I produce wheat, oats, corn, barley, rye, hogs, and cattle.

Senator MCNARY. You are not in the dairy field?

Mr. MURPHY. Some of my tenants are in the dairy business. I have to haul into my market to-day substantially twice as much of

these various products that I have mentioned or that I grow on my farm as I did in 1913 in exchange for the things that are used on the farms in my community and, unfortunately, I do not have the extra load of each of these things to make this exchange.

My market town is a typical agricultural town in the United States. We are 200 miles from the Minneapolis grain market and 215 miles from the South St. Paul livestock market. We have an excellent country.

I think the problem of the American farmer is directly fundamental. In common with the other farmers of America I feel I am a victim of a bad economic situation; I feel that I am the victim of an economic situation that I am not at all responsible for and, as a farmer of the country, I am chafing under it; I am resentful of being required to go on purchasing at prices ranging at 75 per cent to 150 per cent above the 1913 levels of everything that I require on my farm in a strictly domestic market, once stabilized and maintained by national legislation, and at the same time, because I produce a little more in common with the other farmers in America than is consumed in America, I am required to sell the products of my farm strictly on the basis of a world market.

The tenants on my farm are paying taxes and are required to send their children to school and to maintain churches and build good roads, and to generally take their place in the social and business life of the country and bear, in common, the burdens borne by other men and women in other industries. Manifestly, the situation of the American farmer is unjustifiable and indefensible, and it has been so for four years. The situation was acute four years ago and to-day it is chronic. The farmers of America have produced food for four years and the agricultural structure has not broken down completely because of these two things: First, the farmer has worked longer hours and he has worked his children harder and has made a more vigorous effort than ever to make both ends meet; and, second, he has conducted his business on money he borrowed by mortgaging his lands and chattels, and to-day, on this great Nation there rests a tremendous burden of the debts of the American farmers, the result of this bad economic situation. It seems to me as though nothing can be said in defense of this condition.

We do not have classes in America. We have prided ourselves as a nation, that we have no classes. I hope that down through the years we will be able to say that the American farmer has not become a peasant, but he is heading straight toward peasantry and he has almost arrived.

Now, gentlemen, manifestly we can not in this country where we have no classes and where all of us are entitled under the law to the same consideration and, as a great Republic we have prided ourselves on that, manifestly we can not go on on two price levels, one for me on the farm below the mists of the valley, close to the ground, and the other price level up above the mists, glowing in the sunshine.

My dollar in Wheaton to-day is worth 55 cents. I know it. I am handling that dollar and I know what I can get with all the products of the farm. It is not a case of over production of wheat. There is a great deal of disagreement with me on that point. In the Minnesota Terminal Market to-day wheat is $1.15. In 1913 it was 84 cents. It is higher now. In the South St. Paul market in 1913 feed cattle

were $7.25 a hundred and to-day, in the same market, they are $7 a hundred; hogs were, in 1913, 25 cents to 40 cents a hundred higher in the South St. Paul market than they are to-day. The hog men and the cattlemen are worse off than the wheat farmer is. It does not make any difference what the farmer is engaged in in this country, he is under a handicap. I know, because I am, as I have said, engaged in a diversified farming. The farmer is laboring under a handicap which he is not responsible for, and he can not help himself.

Here is the point I wish to stress: The price of agricultural products has not depressed. They are not low, if you will consider the normal times and the normal conditions. The present level of agricultural prices, taking everything that is grown on our farms, is substantially what it was in 1913. If the advantage, either way, is in these Northwestern States, the advantage would be with the 1913 prices, so that our prices have not depressed. What has happened to the American farmer? Why are hundreds of thousands of our farmers bankrupt? Why are hundreds and thousands of our banks in the Northwestern States closed to-day? If you will find the reason why the farmer is bankrupt, you will immediately answer the question why the banks are closed.

Why are the merchants in bad financial situations in all the rural towns of the West? Find the answer to the farmer's problem and you answer all the other questions at the same time: Disparity in prices.

Does the future hold any hope that other prices are coming down? I do not see any. For four years I have waited for it, all of us have. It has not come. There is a tendency upward. We can not go on on two levels unless we reduce, to my mind, America's most wonderful people, the men and women on the farm, reduce them to peasantry, and that this country is never going to do, understanding the question.

I have often wondered if ever there was a great question concerning the American people that was so little understood as the status of the men on the farm. I have often wondered if any stupendous question that has affected the very life of the Nation has had so little intelligent address to its solution as has this question of the farmer. How difficult it seems to be to get over our story to the East. People, I am sure, want to understand us, but we are having difficulty in making them understand us. I think it is the finest work of men like you to-day to answer this question. For a year I have addressed myself to a consideration of it because, gentlemen, I am a victim of it. I am a very unwilling victim of it. I am not in favor of tearing down and I never was in favor of tearing down anything. This country probably can go on for a while on a high-price level. It is of little consequence if I get $4 for a job when I have to pay $4 for something I want to buy that otherwise I paid $2 for had it not been for this high-price level. If we can all get up on that level, and if the farmer is the only one outside of the country's business equation, everything would be adjusted. But the farmer can not go on, can he? He is shackled. He is laboring under a handicap. He can not remove that handicap even by cooperative marketing. He can not remove that handicap by diversified farming. I am a diversified farmer and I can not get away from it. He can not remove his handicap by reducing his production and, suppose we did reduce the production of wheat to the exact amount required in America? Well, I am in com

petition with the world and I have no way of raising my price. I can not compete with anybody.

Cooperative marketing to be genuinely successful for America's whole agriculture must have millions of dollars in capital. We have to control the world, and I am in favor of a tariff bill, in favor of the McNary bill, because, as I understand this bill, it will meet this situation better than any plan that I have understood to be here for the consideration of this Congress.

Senator RALSTON. I have listened with great interest to a great many of you gentlemen who have discussed earnestly the farmer's situation. Everybody seems to understand that the one thing, at least, the farmer needs is additional markets. I have never heard any of you discuss how to proceed to get additional markets for the farmer. You won't produce wheat in a greater amount than is consumed at home, and yet you say you are for a tariff law?

Mr. MURPHY. Yes, sir.

Senator RALSTON. I feel just this way about it: Don't you think the tariff law keeps you farmers out of foreign markets?

Mr. MURPHY. No.

Senator RALSTON. Then we ought to make it higher.

Mr. MURPHY. No; the present tariff law on wheat, in my opinion, and perhaps all these other men would disagree with me, does not help us any.

Senator RALSTON. Does not help you?

Mr. MURPHY. No.

Senator RALSTON. Why do you want it, then?

Mr. MURPHY. Let me answer your first question. You think we ought to have a wider market?

Senator RALSTON. Absolutely.

Mr. MURPHY. Suppose we had, and somehow or other, Senator, every bit of exportable surplus of food in America had gone away. Perhaps then we do not need a wider market. Suppose Europe wanted more of our stuff than Europe was getting, then Europe would pay us the peasant prices for it.

Senator RALSTON. I think so.

Mr. MURPHY. Sir, I can not operate on the standard of peasantry and the American farmer can not operate on the standard of peons and peasants and maintain the American standard of civilization. Either we will have a peasantry and be done with it, or the farmer will be put on a level with the other industries. Here is what has happened, what has given this high level of prices to the other industries: The Adams law, the Esch-Cummins law, the restricted immigration law, the Federal reserve law, the coal board, the railroad board, all these other organizations that aid in one way or another in the maintenance of a high domestic level of prices. If that is not the answer to it, Senator, why is it that in 1915 I could go into town and buy a ton of hard coal for $9 and to-day with the same mines, brought over the same railroad, from the same miners, I get the same coal and pay $20 for the same ton. Where do I get the extra $11? The answer is I do not have it. In 1913 I bought a grain drill for $115 and to-day I have to pay $235 for it. Where do I get the extra $120? I don't get it. Manifestly, something has happened in the market since 1913. What has happened? The Government has gone into business in an extensive way and I am not asking that the

Government should go out of business because, manifestly, it is easier to raise the farmer up with the same sort of machinery that raised the other fellows up than it would be to tear everybody else down.

Senator RALSTON. Why should not the Government take charge of all the business and employ the farmer?

Mr. MURPHY. I don't want to be hired, Senator. I want to work out my own salvation in this great Government that invited a lot of people to come over, in this free country under this Government which invited people to work amid freedom and wear no man's collar. Here is a new idea, perhaps: Take this $120 extra for the drill. The iron that went into my drill was dug in the northern end of my State. It cost a little more to dig the iron than it did in 1913; it cost a little more to ship it than it did in 1913; it cost a little more to handle it to the mill and it cost a little more to send it to Moline in sheet steel and put it in the manufacturing plant, and it cost a little more to make it up and every additional cent of cost on that machine was added on as the machine progressed, and when it reached me I paid $120 more for it than I did in 1913. Can I pass the buck? No. This condition of the economic laws has put a burden on the producers and so, as a consequence, America's agriculture to-day is down on its knees because of all the blunders committed in the other industries and we are the goats.

Senator RALSTON. What was that machine selling for in competition in foreign markets?

Mr. MURPHY. They do not make them in foreign markets.

Senator RALSTON. They send them from here?

Mr. MURPHY. I do not think I can speak with authority on that question. What has the farmer been doing these last four years?

He has been absorbing the results of this bad system out of his capital. I do not get this $120 from my farm; I had to put a mortgage on my land. There is the situation in America. I think that this McNary bill meets the situation and meets it squarely. You know that in any agency, whether it is the governmental or even the running of your own business, whatever the agency, the human element enters into it. This bill must be administered with intelligence, with discretion, and judgment to meet each new situation. These minor matters that would arise in your mind and in my mind have to be worked out and that is the business of the board. I think, Senator, this bill has to be broadly interpreted for the American farmer. You understand that I am for relief legislation in this Congress. I think that if the American farmer and the American business man who deal in farm products go on and handle the products of the country we are going to get better results, and I am speaking broadly of both bills, than if the Government sets up a Government agency to operate alongside of a private business agency engaged in this same business. If the Government sets up its business either one of two things will happen. Either the private enterprise is going to be unable to compete with the governmental agency and be absorbed and go out of business entirely, or the Government will find it can not handle this business as cheaply as the private enterprise can. I do not know what will be the result. I do not think it is a good plan for the Government to engage in the merchandising of farm products of the American farmer. I can not see, even if the middlemen were all eliminated—and, by the way, if you eliminate

middlemen you have to put in Government employees to take their places, you can not get along without some of them—you can not get along without all of them, even if the middlemen were eliminated. I do not see how the Government can properly engage in the merchandising of these products. The Government could not operate them as efficiently and as satisfactorily as competitive private enterprises would. You can answer that question yourselves. But, even if they should all work out well, I can not see how the domestic price of farm production or farm products is going to be raised materially.

I would not come seven or eight hundred miles to Washington to urge the creation by my Government of an agency that would raise the price of my wheat 3 or 4 cents a bushel, for as long as I lose money I might just as well have the agony over with soon rather than to let it string along for a perod of years. I have to have 50 cents a bushel and a great deal more for the things I grow on the farm, or I am done. This bill provides a means whereby we will create that which, ever since I was a boy, I thought the American farmer should have, and that is a domestic market. It always seemed to me an injustice when I thought of trading directly up here where I had to buy directly and then sell in competition with the world on a world price basis. I thought it was a bad idea for the tail to wag the dog. I figured that if I raised 1,000 bushels of wheat on my farm and sold 200 bushels in Liverpool I would have to take for the 800 bushels I sold in America the same Liverpool price that I got for my 200 bushels. Now, I know it is wrong in view of the economic situation in America to-day, and the only way to relieve the farmer is to give him a domestic market to operate just the same as other industries have, and if the farmer is not entitled to an even break in America with the laboring man, the manufacturing man, or with any other industry, then I can not understand our principles of Government. An even break is all we are asking for and an even break is that which we have not got now.

I embrace this opportunity of letting you know how I feel about it and of saying that we can never get a price comparable with the price we have to pay unless we get it in a domestic market. This bill is broad in its powers, and is subject, and ought to be subject, to a liberal interpretation. If you sat as a member of that board with a single thought in your mind of executing your trust in the interest of the farmer, you would look well to his interests.

On this matter of grades, Senator, grain grades, I suppose under this McNary bill this board would be authorized to change these grades. I do not like them any more than you do. They are fixed by the Government and this is a Government agency to handle the wheat, the surplus wheat, of America. But all that can be taken care of here in the bill. But, if I raise a low grade and you raise a high grade you ought to get more for the wheat than I do. The equalizations of grades of wheat, and the glutens and other elements contained, and the determining of these elements are matters of authority that should be vested in the board.

Senator JOHNSON. I agree with you on that, but when it comes to this scrip business, that is another question. That is the reason I brought it out and brought up the question of grades. What do you think about the measure now set up for handling that little difference?

Mr. MURPHY. When you consider, Senator, that this is going to be America's big board, you are going to operate in a business that affects the destiny of not only men and women in the farm but men and women who live in rural America, in the small towns and cities, there is bound to be some complexity. There are bound to be questions arise that will need refinement. I think this matter of handling the surplus by a process of scrip is a simple one. It eliminates bookkeeping. If I sell 1,000 bushels in my market to-day it would bring me $1,000. Under the operation of the bill we will say it will bring $1,500. I will put in my pocket $400 above the $1,000 and get $100 in scrip. That is my contribution, Senator, to the maintenance of a market that I have contended for all along we ought to have. I have contended that we should have a domestic market, whether the Government ought to take up the shock of the losses is the subject of another discussion.

Gentlemen, I want to pass a bill. I doubt, in the first place, that you will be able to pass a bill in this Congress that will put this Government in the business of merchandising farm products. I believe I would be a little reluctant of committing the handling of my products to this Government because, does not experience teach us, that private enterprises can handle the great business cheaper and better than the Government can do it? I do not believe we ought to put the Government into our business. I would gladly make a contribution out of $500 net to me on the sale of a thousand bushels, of wheat of $100 to credit. I would pay $100 out and I would get $400 back; that would enable me to begin paying my debts off.

Senator JOHNSON. Now, by paying you that $500 more on the grain, is there not some other produce on the farm, I am sure there is, that would bring you in more money? If it does, that increases the living of somebody that is working on the railroads or in the factories, so will not that bring on another rise in the cost of living?

Mr. MURPHY. In the first place, Senator, I do not believe it will bring on an increase in the cost of living. There are many reasons that could be advanced why this McNary bill will not increase the cost of living in America. The farmer only wants an even break. Let me answer your question a little further, Senator Johnson. I hired a man on the farm in 1913 for $3, and it takes twice that much to get the same labor done now. Don't you think he should make a little contribution to the price of food to me? Wages have gone up substantially. Don't you think he ought to make a little contribution to the farmer rather than have all these soup kitchens, bread lines, etc., all over the country?

Senator RALSTON. You said it would not raise the prices.

Mr. MURPHY. I said "if it did."

The CHAIRMAN. Would you get him cheaper or pay him the same wages with that lower price of labor?

Mr. MURPHY. No; I don't suppose I would get him cheaper.

The CHAIRMAN. Then, your man on the farm won't make any contribution?

Mr. MURPHY. Yes, he is getting more wages and will pay more for food. The man on the Minnesota farm, and you know it, Senator Johnson, feeds them and he feeds them well, but the man in the factory, the man who works in the factory and on the railroad, has to

make a contribution to the cost of the farmer who feeds him. Is not that just?

Senator JOHNSON. I am afraid, Mr. Murphy, we probably will run up against a lot of trouble, but if everything works out the way you think it will, it will be a good thing to enact the bill. I could compare prices of 1913 with prices to-day. My neighbor bought a Ford car and paid over $700 for the car and, if I am not mistaken, now he can buy the car for $298, Detroit, and there will probably be less than $400 difference from the price of the first one. What you mean about the grain bill of yours is one thing, but I paid for a binder, 7-foot cut, over $200 last August and I understand in 1913 it was ——

Mr. MURPHY (interposing). It was about $135?

Senator JOHNSON. No; $135 was for the 6-foot cut. Of Course, that binder is down some now, because three years ago when I got the corn binder, I paid $235 and they are down to $200 and things are going down a little because they can not sell at these high prices.

The CHAIRMAN. Is there anything further you would like to say to the committee, Mr. Murphy?

Mr. MURPHY. No; I think not; I have covered my subject fairly well and I thank the committee for this opportunity of being permitted to lay my views before it.

STATEMENT OF THOMAS E. CASHMAN, OWATOMNA, MINN.

Mr. CASHMAN. Mr. Chairman and gentlemen, I am a farmer, engaged in the nursery business. I find that I am up against the same condition as Mr. Murphy is.

Senator MCNARY. What products do you raise on the farm?

Mr. CASHMAN. We raise corn, oats, grain, and barley. We have milking cows and raise pure-bred Hereford cattle and we operate about 1,700 acres of land. We live in an intensely dairy section. It has been said dairymen are prosperous. I can testify that is not true. We have good dairy herds, operated efficiently, belonging to cooperative creameries and are getting a high price for the products, but when we go to exchange that butter dollar for other commodities we find it is not very close to par. However, it is much better than the dollar we get from other products; we get a better return on the butter dollar than we do on any of the other dollars; but if everybody started in to raise butter, of course the price soon would be down to the level of other things.

I agree fully with what Mr. Murphy has stated. I will not reiterate anything he said. The protective tariff has, in a measure, placed the American farmer in the condition he finds himself. I am not here asking that any of the schedules be changed.

The CHAIRMAN. This question arises both from what you and Mr. Murphy said: If the protective tariff has brought this situation on, would not the removal of the tariff put you back on your feet?

Mr. CASHMAN. The protective tariff is one of the reasons; another reason is that governmental help in the way of national law has assisted practically every class of activity save the farmer; there is the restricted immigration act, the Adamson Act, the Esch-Cummins Act, the Railroad Board, the Labor Board, the transportation act, and, under State laws, public utility companies have been regulated, giving them a fair return based on the high price of labor, the high price of transportation, and the high price of coal.

When I buy commodities I buy from a man who pays for his goods and buys them from a protected manufacturer with, in some cases, 150 per cent ad valorem added. I buy goods from a man who has a clerk who is aided by a law, the immigration law.

The CHAIRMAN. In your judgment, as I understand it, the farmer is brought into this unfair condition by the passage of the Adamson Act, the restricted immigration act, the Esch-Cummins law, the Labor Board, and all these other boards?

Mr. CASHMAN. That is some of the things that affect us.

The CHAIRMAN. Now, then, if these laws or other laws you could add to them constitute the reasons why farmers are put in this position, would the repeal of all those laws put him back on a fair competitive basis with other people, with everyone else?

Mr. CASHMAN. Yes; but as Mr. Murphy stated, it would probably bring about a panic and throw labor out of employment.

The CHAIRMAN. It did not do that before, did it? I do not want to be understood as favoring the repeal of all these laws or of some of them. I would like to modify some of them, because they needed modifying, particularly the tariff law and I would modify that if I could. I am not a free trader by any means, but it seems to me that if these laws are the cause of your trouble, and you were all right before the laws were passed, the simple remedy would be to wipe the laws off the books.

Mr. CASHMAN. We realize how impossible that is and what we are seeking is some sort of relief, the same sort of relief Congress has given to other classes.

The American Farm Bureau, in a survey they conducted a year ago, found the protective tariff cost $426,000,000, and in return they receive benefits of $125,000,000. These benefits have come to the wool grower, the sheep grower, and a few others, but little or nothing to the wheat grower, the small grain grower, the corn grower, the pork and cattle producer, and such other people as you will find on every American farm.

Now, we are not asking to take away the good things that have been granted to other classes. We want labor to be well paid; we want labor to be in the position to use the products of our farm; we want the wheels of industry to continue running, and we see in this McNary bill an opportunity to enjoy the same benefits and prosperity as is now enjoyed by others. It may raise the cost of foods a little, but when you come to compare the cost of foods the farmer receives at the present time and the selling price, you will find 50 cents increase on wheat, $2 on barley, would add very little to the cost of food, and you will have a stabilized market and the distributor can sell on a closer market. It is not fair to compel the farmers of America to sell their small surplus in competition with European peasants, raise our own food in competition with the lowest paid people of the world, and buy the products we need, and which are manufactured by the highest priced labor in the world, at these high prices. That is the situation we find ourselves in to-day. I believe the McNary bill will take care of our case. It will only give us what you have practically granted to others and, in so doing, it will not destroy any existing machinery; business will go on the same as heretofore, all will enjoy the same measure of prosperity, all will be

raised to this high prosperity level, and prosperity and good times will be enjoyed by everybody. If, on the other hand, we were to repeal the laws already on the statute books and under which these benefits are derived by labor and by the other industries of the country, we would create a great deal of trouble and we would put people out of employment and the wheels of industries would be stopped for a time at least; perhaps the farmer would enjoy something, but it would cause great destruction to others. If the tariff principle is right we are entitled to enjoy its benefits. We are not enjoying the benefits at the present time.

I thank you gentlemen for this opportunity.

The CHAIRMAN. This is the last witness we have this morning. We will adjourn now until 10 o'clock Tuesday morning, February 5, 1924.

(Thereupon, at 12.10 p. m., an adjournment was taken until 10 o'clock a. m., Tuesday, February 5, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

TUESDAY, FEBRUARY 5, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Gooding, Ladd, Norbeck, McKinley, Smith, and Johnson.

The CHAIRMAN. The committee will come to order. The first witness, I understand, is Mr. Warner.

STATEMENT OF MR. J. W. WARNER, PRESIDENT NORTH AMERICAN EXPORT GRAIN ASSOCIATION, NEW YORK CITY.

The CHAIRMAN. First give your name and business.

Mr. WARNER. My name is J. W. Warner. I am president of the North American Export Grain Association and am here to-day as one of their representatives.

Gentlemen, I understand the bill to be considered this morning is what is known as the McNary-Haugen bill. At all events, that is the one that I wish to comment upon.

The CHAIRMAN. Where do you live, Mr. Warner?

Mr. WARNER. New York.

I might state that this association comprises in its membership every exporting organization in the United States; at all events every export association whose principal business is the exportation of grain east of the Rocky Mountains.

We appear here to-day, I might say at the beginning, not to protest against any legislation that the Government sees fit to enact in behalf of the distressed situation, and the distressed farmers of the Northwest or any other community, or the farmers engaged in raising any other product than wheat, if they are deserving and if this situation has been brought about through no fault of their own; but we do come down here to-day to protest against certain features of this bill because we believe if it is enacted into law it will not accomplish what it sets out to accomplish, and that it would do great injury to other branches of trade. For example, it does not confine its benefits to the ones in distress, but distributes them indiscriminately to all interests, including those agriculturists who are prosperous, or, if they are not prosperous, are not in need, and they never would have asked for this help except they have been practically invited to come down and get in line by the Secretary of Agriculture. If they were to be benefited equally it would simply mean that an injury would be done

to the great consuming interests, whose back is pretty well burdened already.

Furthermore, if the legislation should be of such a nature as to encourage or increase production of wheat, and therefore increase the surplus, that would not benefit the country at the present time, because the surplus is the one thing that everybody seems to think is burdensome. I do not agree with them entirely, but at this moment it certainly is true.

And again, such legislation would be defective if it did not bring about a permanent cure but simply would grant relief to carry on those operations in the Northwest and other places. If it did not bring about permanent cure, we would be simply left in a state that perhaps would be worse than when we started. For example, if lands in certain sections have been cultivated for a period of several years and only produce about 5, 6, or 7 bushels of wheat to the acre, it would seem to me that that is conclusive evidence that that particular land was not adapted to the growth of wheat and that the farmer, if he is going to exercise any intelligence at all, must change his methods by putting in other cereals or by carrying on diversification in the form of raising stock or otherwise. If he will not do that, if it seems that is what has brought about his distress, then he should not benefit under this bill or any other bill.

And then another feature, it seems to me, that is embodied here, and would make the bill defective if it is embodied, is that it would do injury to other interests that are quite as entitled to consideration at the hands of the Government as perhaps these interests that we have under consideration.

As to this particular bill——

The CHAIRMAN. Now, just before you leave that, what interests would be injured? Tell is in detail about that.

Mr. WARNER. Senator, if you will allowed me to continue in my own way I will come to that as I comment on this bill.

The CHAIRMAN. All right.

Mr. WARNER. This bill—it is not a short bill by any means; it is some 30 pages long. The purpose of it, as I understand, is, of course to raise the price of any article; and if this is enacted into law and works out as it is intended to, it would give the corporation a purchasing power equivalent to what it had before the war. It would set up a machine that would provide two commissions, or a commission and an export corporation, the commission to exercise supervisory powers and to be in some nature a fact-finding commission; it would determine the amount of surplus that existed at certain times; and it would fix a price called here a ratio price at which this export corporation should buy the surplus wheat. And then it provides that the corporation should merchandise this surplus either here or abroad, presumably abroad, and that any loss in that operation should be pro rated in a very ingenious way among the sellers, among the producers of this wheat when they sold their wheat.

Then another provision is, although I will not say it is in here, but it ought to be in here, that one of the purposes or effects would be to extinguish the exporting interest that has been in business so long and that we think is a deserving interest. In fact, it has been so determined by the Government, that the exporting interest was a valuable interest in the United States and should be fostered.

I do not think there will be any doubt in the committee's mind that if this bill is enacted into law the effect of it would be to give to all agriculturists, not only those who are in distress but to all, equal benefits.

Senator NORBECK. I am not so sure I understand what you mean by that.

Mr. WARNER. I mean to say that if this bill goes into effect any enhancement in value of any article that is declared to be an emergency, or any article with regard to which an emergency exists, those who are not in need would benefit per bushel just as much as those who are in need.

Senator NORBECK. Speaking as between individual farmers?

Mr. WARNER. Individual farmers; yes, sir. I have already stated that it seems to me that should be confined to those only who are in distress.

The CHAIRMAN. How could you confine it?

Mr. WARNER. I believe the proposed legislation is defective in that respect.

The CHAIRMAN. How would you remedy that?

Mr. WARNER. I would not remedy it, because it is impossible to do it.

The CHAIRMAN. That is what I think.

Mr. WARNER. Except in one way. If you have any money to set aside for the benefit of those who are in distress, then take the money out and give them the money, or loan them the money.

Senator NORBECK. Are you speaking of the McNary bill?

Mr. WARNER. Yes.

Senator NORBECK. If I understand the bill, the purpose of it is to create a ratio price, so that the farmers may get as much for their wheat in other commodities as they did 10 years ago. There was no intention to say that the farmer in distress should have the same wages as he had 10 years ago. The purpose of the bill was to put them all back on the same basis they were 10 years ago.

Mr. WARNER. I know it is.

Senator NORBECK. Is that wrong, that a farmer, even though he is prosperous, should be put on a basis as good as before, so that he could exchange the products of his labor and investment on the same basis as he did before the war?

Mr. WARNER. Absolutely it would be; because a farmer, if he intelligently operates his farm, will do it in a diversified way; and what he loses on one product he will make on the other, and the average will show a profit.

The CHAIRMAN. It seems to me you do not get the idea of the bill. The bill does not pretend to say if you are raising wheat and I am raising wheat, and I lose money and you are rich and making money, that you should not get the same benefit. It admits that that is true. The idea is to put the purchasing power of the farmer's dollar or the wheat man's dollar on the same basis now proportionately as it was before the war.

Mr. WARNER. That is what it is.

The CHAIRMAN. You could not do that and differentiate between one man who is poor and another who is rich.

Mr. WARNER. But back of all this purpose that you speak of is one thing, and that is to benefit certain agricultural sections that are in

distress, and we would never have heard of this legislation if it had not been for that.

The CHAIRMAN. There would not have been any occasion for legislation if the condition had not been brought about where the farmer's dollar was below par.

Mr. WARNER. Everybody's dollar is below par, for that matter.

The CHAIRMAN. You do not seem to get the idea yet. It is perhaps not quite right to say below par, but the farmer's dollar in purchasing power is below what everybody else's dollar is.

Senator NORBECK. Except salaried people, Senator, whose salaries have not been increased. Their dollar is also below par. But take labor, for instance, they are getting about 50 per cent more than they did before the war. They can buy as much clothes and food with a day's labor as they did before, but the farmer can not buy as much provisions with his day's labor as he did before.

Mr. WARNER. It depends on what farmer you refer to.

Senator NORBECK. Take the average, if you please, including the highest and lowest.

Senator JOHNSON. Why didn't you include Senators and Congressmen? They didn't have any raise.

Senator NORBECK. We are going to strike after a while, Senator.

Mr. WARNER. And I will support you in it if I can.

Well, we will pass that point. The next is that this legislation, instead of reducing the acreage in wheat and therefore the surplus, which is a hard thing to handle, apparently, now, would tend to increase the acreage and therefore increase the surplus and leave us in worse shape than we were before.

Senator NORBECK. I think that point is well taken, and I think there should be some protection in this bill against that very thing

The CHAIRMAN. Those who back the bill claim, it seems to me with reason, that there is that in the bill which would do this: If the surplus is greater this year, then this scrip will be worth less, and there will be a greater amount of loss that they will have to suffer and everybody will know that. I think that ought to be said. If it works like the proponents of the bill claim it will work, it will be automatic in that respect.

Mr. WARNER. Of course it would be to the benefit of the raisers of that special commodity.

The CHAIRMAN. Yes; that is right.

Mr. WARNER. If they could get, say, 25 cents a bushel more for their wheat by paying 7 or 8 cents tax, they could keep that up for a long while.

The CHAIRMAN. It is intended to keep it up. Personally it seems to me it has some objectionable features in it, but the farmer has found himself, as one witnesses has put it, surrounded by business men and industries that are protected, for instance, and he has to sell on a market that is not protected. Now, it is the purpose of this bill to raise him up to a level with the other people that he has to buy from or sell to. It is the purpose to put them on the same basis.

Mr. WARNER. And the great consuming public is getting pinched from both sides. He has to buy the imported article and manufactured article at the higher price, and if this legislation passes he has got to buy his breadstuffs at an enhanced price, so that the two of them are dividing the hide of the consumer between them.

The CHAIRMAN. The fact is, Mr. Warner, and I do not think it can be disputed, that as compared with all other lines of business and other classes of citizens, the farmer is not on the same level.

Mr. WARNER. I agree with you.

The CHAIRMAN. Now, this is to put him on the same level. We have either got to lift him up or pull the other fellows down. This is a plan to take him up. It may be wrong. May be we ought to devote our energies entirely to putting the other fellows down onto his level. But that is not the object of the McNary bill. The McNary bill is to lift the farmer up and put him on another level, more or less artificially, it seems to me; but it seems to me if you are going to leave the other fellows where they are it is perfectly right to say, on behalf of the farmer, you have everybody else on an artificial basis, and you have to put him up there too, and then they will all be on the same level. Right or wrong, that seems to me to be the object of the bill, and everybody concedes that the farmer ought to be on the same level as everybody else.

Mr. WARNER. We agree on that one point, but it would tend to increase the production of the article in question.

The CHAIRMAN. Well, I don't know whether it would or not. I rather agree with the advocates of the bill that it is automatic; if it increases it one year it would decrease it the next, because the farmer himself has to stand all that loss. The burden is all put on the farmer, and if in wheat, for instance, they would expand and put out more, there would be a greater export of the wheat, and that means that he has got to stand a greater loss, and they would know that. They would know if they went too far they would have more of a loss to stand.

Mr. WARNER. As long as he gets an additional amount for his wheat and pays only about a quarter as much in tax he could stand that.

The CHAIRMAN. What he will have to pay as tax will depend on how much he produces. If he produces too much he will have to pay more tax.

Mr. WARNER. You will agree that the tendency is that way, then?

The CHAIRMAN. I rather think so myself, and I have said so to the other members of the committee, but I am rather advocating the bill here when its advocates are not here. I think it has a good many objectionable features in it myself.

Mr. WARNER. I should have judged from the remarks I have heard you make that you are a pretty good advocate of the bill yourself.

Now, what is back of this bill, and what has suggested the legislation—and it seems to me that some Senators are trying to sidetrack that—is the desperate situation in the Northwest. Now, I claim for this association that this legislation would not help his situation a bit. There is not anything in this bill that invests either the commission or the corporation with any control over these men in the Northwest, provided it is determined that they are not farming in a proper way, and the benefits they get here from this small amount that they propose to raise would not amount to anything at all.

The CHAIRMAN. I think you are in error, Mr. Warner, in saying that this bill is just to help the Northwest.

Mr. WARNER. I don't say that. I did not say that. I don't think the record will show that.

The CHAIRMAN. I understood you to say that in substance.

Mr. WARNER. I said what has initiated this whole thing has been the situation in the Northwest.

Senator NORBECK. Is it altogether wrong for the Northwest to ask for relief if they are getting the worst of it in the economic situation?

Mr. WARNER. No; but if you want to give them relief at all, I suggest that you do it in such form as will cure the situation.

Senator NORBECK. We would be pleased to have some constructive suggestions from you people that would help the farmers to get back to a normal basis.

Senator MCKINLEY. Don't you think that the Norbeck bill will do that?

Mr. WARNER. I am very much in favor of the Norbeck bill. I believe it would work out.

The CHAIRMAN. The Norbeck bill, while it is a good thing, I think, in certain localities, is not intended to cover the whole country. You must not get away from the fact that the farmer in Kansas and Oklahoma and Nebraska and Missouri and Iowa will not be benefited at all by the Norbeck bill, because it was the intention of the Norbeck bill to cover a section of the country where the farmers were even in worse condition than in those States I have named, and it is the intention of that bill to relieve them somewhat. But farmers in all those localities are way down below everybody else and are not getting a square deal and we want to help them. The Norbeck bill would not do that.

Mr. WARNER. You say we should not get away from it. That is just the situation I want to get away from, with farmers who are doing pretty well.

The CHAIRMAN. Well, where do you find them? I have not seen any of them.

Mr. WARNER. The farmers of the Southwest are not calling for help, or would not be calling for help if they had not been really invited to call for it, and legislation should not at this time be enacted that would cover them.

The CHAIRMAN. You think there ought to be nothing done, then, for general farming conditions by national legislation?

Mr. WARNER. Legislation to cover a crisis, give relief in case of a crisis, or a calamity or a catastrophe is a function of government, I believe, and if there is a crisis, a calamity, or a catastrophe, then it is perfectly proper for the Government to give relief in some form, but there is not anything of that sort in the Southwest. There are farmers who are not getting as much as they would like, and it is admitted that their wheat does not bring a pre-war purchasing price, but they are not in distress.

Senator NORBECK. Now, just take that one crop, for example? You have just said that wheat is not bringing its pre-war purchasing price, and that applies to the Kansas farmer as much as it does to the Minnesota farmer. If the wheat is not bringing in purchasing power what it did before the war, and everything else is, should he not get relief if it is possible to give it to him?

Mr. WARNER. No. The relief will come in a natural way.

Senator NORBECK. That will finally come, you think, without any legislation?

Mr. WARNER. Yes, sir.

Senator NORBECK. When will that come?

Mr. WARNER. It will be a pretty slow process now. If you can tell me when the situation will be straightened out on the other side, I will tell you when he will get relief.

Senator NORBECK. The farmer will be dead by that time. Would it not have been just as fair for us to have said that to the manufacturers of New England two years ago?

Mr. WARNET. Yes; it would.

Senator NORBECK. Would it not have been just as fair to say that to the laboring men when we passed the Adamson bill?

Mr. WARNER. Yes; it would.

Senator NORBECK. But we didn't say it; did we?

Mr. WARNER. No; but three wrongs won't make a right.

Senator NORBECK. But we should stand on the two and let the farmer alone?

Mr. WARNER. I don't say you should stand on the two.

Senator NORBECK. What do you suggest?

Senator NORBECK. I don't want to bring up the question of tariff or unionism here, because it is a long subject and I could talk on it until the end of the week if anybody would listen to me.

The CHAIRMAN. It seems to me you ought to, if there is one, suggest the remedy to us. You may be entirely right and we may be entirely wrong, but if, as Senator Norbeck has said, we did pass a law that protected the manufacturers and laboring men, protected the producers of other things besides agricultural products, and effectively put them on a higher basis, should we repeal those laws, and would that bring labor and everybody else on the same level with the farmer? Would that be right?

Mr. WARNER. Certainly it would be effective, but whether it would bring the desired relief——

The CHAIRMAN. Suppose we repealed the tariff law entirely, or the Adamson law and the Esch-Cummins law to help the railroads, just repealed all those laws. Would that bring about a situation of equality?

Mr. WARNER. I don't think it would bring about satisfactory results, but it would bring about equality.

The CHAIRMAN. That would put everybody on an equal basis?

Mr. WARNER. Yes; it would. If one was in distress they would all be in distress.

The CHAIRMAN. I just want to get your idea. I am not criticizing you.

Mr. WARNER. You asked me for constructive ideas. Senator Norbeck's bill comes the nearest to an idea of a constructive plan, but that does not give any relief to-morrow, for instance. I understand this bill would come nearer to it. I question whether it would or not, but the purpose of it is to do it.

Another thing I would like to comment on is that it does not effect a cure of the very situation which has given rise to this whole controversy; that it does not cure the situation in the Northwest. The little help it would give on the small amount of products raised would not benefit them to any great extent. It would not induce them to change their methods. If they are in debt now it would not help them to get out of debt. If we had any money to allocate to those

in distress, then do it to them only. The fact that a farmer does not make the cost of his produce, does not get enough to cover the cost of his produce this year, does not mean that it necessarily follows he is in distress. Business men all over the country are in the same situation. There have been years in my own experience when we have made losses and heavy losses.

The CHAIRMAN. Some time before you quit I want to ask you some questions. You are an exporter of grain?

Mr. WARNER. No. I was in the export business for 30 years and I retired a year and a half ago.

Senator NORBECK. Grain export?

Mr. WARNER. Yes, sir; 30 years' experience in the grain export business.

Another point is that this bill would serve pretty effectually to extinguish all wheat exporters. There is no question about it. Wheat is the biggest item——

Senator MCNARY. Are you speaking of Senate bill 2012?

Mr. WARNER. I am speaking of the McNary-Haugen bill.

The CHAIRMAN. Now, suppose it would do that, which we do not believe, of course. Just for the sake of argument, assume that it would do what those who are behind it think it would, namely, put the farmer on an equal purchasing level that he occupied before the war, but that in order to bring that about it was necessary to put the exporters out of business, should not that be done?

Mr. WARNER. Absolutely not.

The CHAIRMAN. Why? Why should we, if a more economical way can be found, preserve the exporters in business?

Mr. WARNER. You don't preserve them. The exporters have not asked a thing of the Government.

The CHAIRMAN. You say this will put them out of business?

Mr. WARNER. Yes; I do.

The CHAIRMAN. By putting somebody else in the business, I suppose.

Mr. WARNER. By putting the Government in the business. I say the function of Government is not to do business, but is to give individuals an opportunity to do business, and to prevent any other person from interfering with him, provided his business is lawful and necessary.

The CHAIRMAN. As between the exporter and the agriculturist, those men who produce on the farms, if we can not put the farmer on the basis that he was before the war without putting the exporter out of business, you think we ought to leave the exporter in business and let the farmer stay down where he is now?

Mr. WARNER. I don't assume that the farmer is down where he is now. The farmer is doing pretty well, except in certain sections, and perhaps it is due to the farmer's own fault that he is not doing well in those sections.

Senator NORBECK. If you will pardon, me Mr. Chairman, I just want to call attention to one thing, and I think this is a good place to do it.

I took up with the Census Bureau about a year ago the question of the farmer's earnings. The reply to that was that they did not have so very much on that, but the Agriculturel Department has investigated very carefully for one year, the year 1916; they have gone to

gone to great length to detremine the farmer's gross and net income, and they reported that the average income of the farmer for the year 1916, which was a very prosperous year, as you will recall, because Europe was at war, was about $612, of which $212 was in cash and $400 was charged up against them for the privilege of living on a farm; that is, free house rent, free garden stuffs, and what was raised on the farm.

I want to ask you if there is any other class of people anywhere in the United States on as low an earning basis as that?

Mr. WARNER. Now, Senator, I am in great sympathy with the farmer. I was born in the country. I have worked on the farm and I know perfectly well what it means to stand in the barley field day in and day out when the burrs are going down your shirt, and if I have any prejudice at all it is with the farmer. I know their lot is pretty hard. But I say this: It is not the business of the Government to make the farmer prosperous.

Senator NORBECK. No; but I contend the Government has unmade the farmer. They have brought depression on him; therefore the farmer has a right to look to the Government for some kind of relief.

Mr. WARNER. Not by doing two wrongs.

Senator NORBECK. They are going bankrupt or are going forward to a normal basis of exchange, one or the other. You may have some other plan that would bring the same result. If you have, I would be interested.

Mr. WARNER. The only plan I have is to let this thing work out of its own accord. The farmer will stop raising wheat when he can not make a living out of it. I never saw the farm that was properly cultivated and worked but that the farmer made a good living for himself and family and had a surplus to sell. There are farmers and there are farmers.

Senator NORBECK. Up to a few years ago I think that was true. I think you are right.

Mr. WARNER. It is true now. It is true in the East. I am not familiar with the situation in the West. I know it is true in the East; I know it is in my own section of New York, that these farmers who are farming intelligently are contented and prosperous. Those who are farming unintelligently, who are simply confining their efforts to one crop, for instance, are in distress all the time, and their mortgages are getting larger, until they finally give up and somebody else takes their place. But the old farmers who are farming in an intelligent way are prosperous to-day and they are prosperous to-morrow, and they always will be prosperous, because there is always going to be a demand for any quantity of agricultural products raised in this country.

Senator SMITH. Does your corporation engage in anything else but grain export?

Mr. WARNER. My corporation was engaged in grain export only.

Senator SMITH. You did not diversify then?

Mr. WARNER. What do you mean, Senator?

Senator SMITH. You said the farmer, if he found one line of business was not prosperous, could go into something else.

Mr. WARNER. No; I didn't say that the farmer could go into something else. He would stay in the farming business, but would

not stick to one article like wheat, and farm it year in and year out. Wheat is a lazy farmer's product.

Senator SMITH. What?

Mr. WARNER. It is a lazy farmer's product. You can put it in in the spring and sit on the fence, if you are doing nothing else, or use your fliver until it matures in the fall, and then it is mown and threshed, and the thing is all over with.

Senator CAPPER. You know, of course, that less than 10 per cent of the total agricultural products of the country consist of wheat?

Mr. WARNER. Yes.

Senator CAPPER. So that the farmer is doing something else besides raising wheat year in and year out.

In my State I will say that at least one-third of the farmers to-day are broke. That is, they are holding on just by sufference of the bank and the merchants who are their creditors, and they are getting in deeper every year, and that applies to a lot of them who are doing something else besides raising wheat.

Mr. WARNER. Diversified farmers?

Senator CAPPER. Yes. They raise corn and hogs. They are not making any money on hogs to-day.

Mr. WARNER. May I ask the Senator one question right here? Your acquaintance is pretty large among the farmers in the West. May I ask you if a farmer is in good health and he farms continuously and intelligently and diversifies, is it a fact in any section of which you know that the farmer is not fairly prosperous? I mean if he makes a living he is prosperous, but if he runs behind every year he is not prosperous.

Senator CAPPER. There are a few out in my section of the country making a living. They got land at a very low price, and they have been able to hold on. Fortunately they did not load up, as some others did, with high-priced land and involve themselves in debt and all that sort of thing. But the majority of the farmers in the State of Kansas to-day have not made a dollar in the last few years. I will say since the war, since 1920.

The CHAIRMAN. That is true of all of them.

Now, Mr. Warner, you do not contend, do you, as your recent statement would indicate, that a farmer who just makes a living is prosperous? Would you have been satisfied in your export business to just make a living, and didn't you make a lot of money while you were in the export business?

Mr. WARNER. No, I didn't make a lot of money and I haven't got a lot of money now.

The CHAIRMAN. Well, you made more than a living, didn't you?

Mr. WARNER. Yes; I did.

The CHAIRMAN. Well, don't you want to make more than a living?

Mr. WARNER. Sure I do.

The CHAIRMAN. When you say that do you mean to say that a man engaged in farming operations, which everybody admits, notwithstanding your statement to the contrary, means working 16 hours a day, if he only makes a living he is prosperous?

Mr. WARNER. In the first place, Senator, I came from a farming community, and I know the hard lot that the farmers have. During certain times of the year they do work 16 hours a day, but not all the year round.

The CHAIRMAN. The diversified farmer does it nearly all the year around.

Mr. WARNER. I know that farmers are accumulating something all the time. Well, not all the time any more than anyone that is in industry does, but they are getting ahead every four or five years. A good farmer will do that and a good business man does not always make money.

There is not any industry that I know of, certainly none that I have ever been engaged in—the only one that I have ever been engaged in, and that was the grain business—where profits were made every year. I have been so sick of the export business sometimes, 20 years ago, that I would have given anything if I was out of it instead of in it, and because my capital did not return anything at all.

Senator MCNARY. How many concerns in the country are engaged in the grain export business?

Mr. WARNER. In the North American Export Grain Association—that is the association I am representing here to-day—we had 52 a year ago. There are now, I think, about seven less.

Senator LADD. Fifty-two firms?

Senator MCNARY. Firms or individuals.

Mr. WARNER. Firms or corporations. I think there are about 45 now. Business has not been sufficiently attractive, and some of them got out of it. I think there are about 45 export associations, export corporations or firms or individuals, in the association.

Senator MCNARY. How many outside that are engaged in the same line of work?

Mr. WARNER. I don't think there are any that are wholly engaged in the export business.

Senator MCNARY. Then you think that the enactment of this bill would put 45 export firms or corporations out of business?

Mr. WARNER. I would not want to say that; but so far as export concerns who are mainly handling American grain, it certainly would. Our exporters here are handling all the wheat in North America. If you were to ask me the question, if the enactment of this bill would put American exporters out of business who handle only American wheat, I should say yes.

Senator MCNARY. How many are engaged in that line of work?

Mr. WARNER. I could not answer that question.

Senator MCNARY. Well, less than 45?

Mr. WARNER. Less than 45.

Senator MCNARY. Yes; you say there are 45 concerns which are handling export grain?

Mr. WARNER. Yes.

Senator MCNARY. But there are only a few of them that are handling exclusively American grain?

Mr. WARNER. Yes, sir.

Senator MCNARY. And those would be crippled, in your opinion?

Mr. WARNER. Unquestionably.

Senator MCNARY. Well, how many are there? That is what I want to know.

Mr. WARNER. I could not answer that question.

Senator MCNARY. Take all the 45 concerns. How many people are engaged in that activity, including those interested financially and those in the capacity of employees?

Mr. WARNER. How many?

Senator MCNARY. How many people are employed by those 45 concerns?

Mr. WARNER. You mean how many men get their living out of the export business?

Senator MCNARY. Yes.

Mr. WARNER. I could not answer that question, but I am willing to admit, because I think your question is leading up to that, that the number of people engaged in the export business directly is much smaller than in the farming industry.

Senator NORBECK. I think the witness would be glad to help the committee here on some information. For my part I am quite anxious to know how many people would be affected by this matter. Of course we do not expect that anyone can come in here and say just how many people get their living out of the export business, but you could give us a much better idea, I am sure, than any member of the committee has. Could you give us some idea of the average number of people employed by these exporting concerns?

Mr. WARNER. It is pretty difficult to answer that question, Senator.

Senator NORBECK. Would there be a hundred people or a dozen people?

Mr. WARNER. All the people that are engaged in the handling of grain between the time it is produced and the time it is consumed are connected with one or the other of those interests. They may be transportation people. You can not tell where——

Senator NORBECK. There will be just as much transportation and just as much consumption, and of course there will be just as much exporting, as I understand it. The only work the Government would consider taking over would be the exporting, and I am not so sure they would not do that through the existing agencies.

Mr. WARNER. I am sure it would have the same effect whether they did or not. They would control it.

The CHAIRMAN. So far as the employees are concerned, unless they are employing too many, if this bill were enacted into law, confining it to wheat for illustration, wheat would have to be transported just the same as it is now; it would have to be sent across the water just the same as it is now; there would have to be enough men engaged in the business who would get their living out of it, no matter whether this bill is passed or is not. It seems to me for practical purposes if it would put anybody out of business it would be only those at the heads of firms, the firms themselves. The employees would still be working in the business, but perhaps for somebody else. So that the number of people it would put out of business would be, as I understand your testimony, less than 45 concerns.

Mr. WARNER. Concerns, yes.

The CHAIRMAN. And their employees would still be working for somebody else that would be doing the same business.

Mr. WARNER. You do not measure the responsibility of Government to individuals or corporations or associations by their numbers?

The CHAIRMAN. Oh, no. We are only trying to get the facts. As a principle, we are not backing that at all. You have a perfect right to say if there is one man doing business here he has a perfect right to believe that the Government will protect him in his business, no matter if it beats a million other people down to the ground. You can advocate that if the principle is wrong.

Mr. WARNER. I don't ask you to do anything of that sort.

Senator NORBECK. Being anxious to get at something definite, may I ask the witness—he has evidently been a successful man—30 years in the business—something about the number of people that he employed and the line of goods that he handled. Maybe that would give us a basis.

Mr. WARNER. The export business direct, if one is in the export business only and is not at the same time receiving—more and more exporters are becoming receivers and accumulators from the west. They bring it forward themselves and accumulate it at the seaboard and then from there export it. They are at both ends, receiving and exporting. Previously the exporter did only the exporting end.

Senator NORBECK. Previously? About how many years back, for instance?

Mr. WARNER. I should say ten years.

Senator NORBECK. Would it be fair now—and I don't want to ask you a question that is not fair—would it be fair to ask you how many people you employed ten years ago in your business?

Mr. WARNER. From six to eight in the export business alone, and ours was a very small concern, Senator. Those houses who receive grain employ a great many more. I will admit, for the sake of argument, that the number of employees in the employ of exporting houses, the whole number, is comparatively small. But what I am driving at is this—what I am trying to put before you is this. That this legislation, if it was ever enacted, would not accomplish what it sets out to do. It would not improve the situation where you, I take it, wish to have the situation improved. It would not reduce the growing of wheat, and therefore it would not reduce the amount of the surplus, which is an awkward thing to handle now, or at least some people seem to think it is awkward, and it would effectively drive out the export interests.

Senator NORBECK. But you are suggesting now that the trouble with the farmer is that he does not farm intelligently. In other words, he produces a surplus.

Mr. WARNER. I know that most farmers do farm intelligently, and that is why they are getting along over a term of years.

Senator NORBECK. Are not those in distress?

Mr. WARNER. They are, some of them, unquestionably.

Senator NORBECK. Do you consider it is sensible for a farmer to produce wheat that is to be sold at a loss on the foreign market?

Mr. WARNER. No.

Senator NORBECK. You think he ought to quit that, don't you?

Mr. WARNER. He ought to so conduct his operations on the farm as to make farming profitable. I don't care where he sells the products of his farm; he ought to operate on that basis.

Senator NORBECK. In other words, with the present tariff we are all agreed, I think, that the price of wheat would be much better if it was not for the exportable surplus? If we had no surplus to export our prevailing price would be higher, would it not?

Mr. WARNER. It would tend that way. I don't know whether it would or not.

Senator NORBECK. Then it would be a matter of intelligent action on the part of the farmer to diversify in such a way that we would not have that surplus to export?

Mr. WARNER. Decidedly.

Senator NORBECK. But that would also put the exporter out of business, and that is the thing you object to.

Mr. WARNER. I don't believe that the farmer would ever do that.

Senator NORBECK. No. That is what I think.

Mr. WARNER. When I am speaking of farmers, I speak of all farmers. There are farmers in the Northwest who are confining their agricultural operations to one product, and that is wheat, and they raise only five to six bushels to the acre, and that is conclusive evidence that they should go out of that business. But that would not take away the surplus. There are other parts of the country that would raise a larger surplus or would raise a surplus that would cover that. There would be a surplus. Just as long as a surplus is profitable it will be raised, and just as soon as the surplus is not profitable by intelligent farmers it will not be raised.

The CHAIRMAN. If the surplus is what is causing the trouble in the wheat business—and I think that is conceded—if intelligent farming itself in the wheat business would prevent the surplus, that would mean that the remedy for the farmer is that he must not produce so much wheat and produce something else. That would be intelligent farming, and that would put the exporters out of business just the same.

Mr. WARNER. I don't say that intelligent farming would prevent a surplus. I don't think that the records will show that. I say that intelligent farming in those places where wheat does not pay and in the production of which they make a loss, wheat should be cut out from the operations of that farm, but there are farmers in other sections of the country where wheat is the profitable product, and there would always be a surplus as long as it is profitable to raise wheat.

The CHAIRMAN. Will you tell us where, last year, they produced wheat at a profit? What sections of the country have produced it this year at a profit?

Mr. WARNER. The sections in the Southwest have not been complaining, or did not until recently complain of the trouble as to their farm products.

The CHAIRMAN. Then the testimony before this committee is all wrong, because they have complained here from all over the country.

Mr. WARNER. It is true your committee has only been sitting, I think, since the first of the year.

Senator MCNARY. May I ask do you mean by the Southwest—Texas, New Mexico, and Arizona?

Mr. WARNER. I refer to the great cereal growing States like Missouri and Kansas and Illinois and Indiana.

The CHAIRMAN. They have not produced wheat this year at a profit in those States.

Mr. WARNER. But they were not calling for help until they were invited to come up and fall in line.

The CHAIRMAN. I don't know how they were invited, but the testimony given before us here all indicates that they have been producing at a loss.

Mr. WARNER. That happens. I have seen times in the central part of this country when they didn't raise enough wheat to pay to harvest it at all.

The CHAIRMAN. Oh, yes; I think that is true.

Mr. WARNER. But they made enough off of other things on the farm to offset that. They did not cry for any help, did they? They did not say they were in distress, because they knew next year Providence would show more bounty and they would even up in the long run.

I am in sympathy with the people of the Northwest; that is to say, the deserving people. If there are farmers up there in distress, not through their own fault, I am in sympathy with them, and that is the reason I have not made any protest against any legitimate relief that could be given to that class of farmers, but those fellows that go in there and take up land, not adapted to farming, perhaps druggists or merchants or anything else except farmers, don't make a success of farming, and no legislation can make farmers out of them.

Senator NORBECK. That class of farmers only lasted two seasons, and they are all gone now.

Senator LADD. Are you familiar with the farmers in the Northwest?

Mr. WARNER. No. I have read a good bit about them.

Senator LADD. You have never been there?

Mr. WARNER. I have been in the Northwest.

Senator LADD. How much studying have you done in the Northwest about farming?

Mr. WARNER. None about farming. Don't miscontrue my statement. What I say is—and I have read this from a report made I think from the Federal reserve bank at Minneapolis by one of its vice presidents——

Senator LADD. I would not accept it.

Mr. WARNER. You would not accept it?

Senator LADD. No; for I know them too well.

Mr. WARNER. Well, I accepted it, and until I know to the contrary I will accept it.

Senator LADD. There is a lot of propaganda sent out through the country.

Mr. WARNER. I don't see any reason for the Federal reserve banks to send out propaganda.

Senator LADD. They don't send out men always who are familiar with the conditions.

Mr. WARNER. If you will tell me that there are no farmers in the Northwest that show an income I shall believe it until I can prove to the contrary.

Senator LADD. I will admit there are individuals in your State, in New York. I have lived in New York. I have worked with the farmers of New York State. I have been your State chemist in New York State. I have been on your State work. I know something of the farmers there and know what they have been doing.

Mr. WARNER. You asked me the question if I knew individuals up there who were such people as I have outlined, and I told you I did not, but I told you where I got my information.

Senator LADD. And you were emphasizing it as though there were not many of them who were not that way.

Mr. WARNER. I did not mean it that way. If you got that impression, it is wrong.

My sympathy is with the farmers. I have got more relatives, and they date back to before the Revolution, who are in the farming in-

dustry than in anything else. Of course there was a time here when you could not get into any other kind of industry. But if my sympathies are with anybody they are with the farming industry. I get up into the country as often as I can. I hobnob with people living on farms. I was at the house, within six months, of the time I was born. I have got it yet. There is nothing I enjoy more than to go up and talk to those farmers, and I can see how the drift is there. There are farmers and farmers. There are farmers who do not want any help to get along, who make a profit not every year but every two or three years. Their profits are continually accumulating. There are other farmers who go to pieces in one year. They are going to pieces all the time. Their fences are going down, their buildings going to rack and ruin, and their farms and their stock and crops are mortgaged. You could not help that kind of people by legislation. If you did legislate to help them, they would simply lie down and take what they got and would not give anything in return. I think the effect of this bill would be to help those who are not in need. The people up in the Northwest you say are in need, but they would not get much benefit under this bill.

Senator NORBECK. Let me ask you this: You will admit that many farm products, like pork, beef, and wheat, that are staples in the Northwest, are below the pre-war prices in their exchange value. It takes more bushels of wheat to buy a wagon or a suit of clothes than it did before the war, etc. You will admit that?

Mr. WARNER. Yes; certainly.

Senator NORBECK. Would it be charity or relief to put them back on the same basis as they were before? Would that be too high?

Mr. WARNER. If I only had this whole industrial situation to solve myself I would do it by putting everybody on the same basis. I would put labor on the same basis and I would put manufacturers on the same basis, but that is not the question that comes up here.

The CHAIRMAN. If that will solve it, that is what we want.

Senator NORBECK. That is all we want.

The CHAIRMAN. We want to get your idea as to how to solve it. It comes back to the question I asked you a while ago, and I was just trying to get your idea. If that is the solution of it, then what we ought to do is, instead of passing a law to get the farmer up on a higher basis, to repeal a whole lot of laws that would put the railroads and manufacturers and business men and laboring men all down on the farmer's basis?

Mr. WARNER. I don't know whether they would have to be down or not?

The CHAIRMAN. That is the remedy you would suggest?

Mr. WARNER. That would be the ultimate remedy; yes. I am an absolute free trader, but I don't believe free trade could be established to-morrow, next week, or next year.

The CHAIRMAN. Tell us how you would establish it. Which would you repeal first of those laws, if you were going to commence to put other people down on the basis of the farmer. Where would you start? Give us a constructive idea.

Mr. WARNER. We will say that the farmer is in a very low condition now. I would not put everybody down, but I would remove all artificial stimulus.

The CHAIRMAN. Exactly. A lot of other people have that idea. I am not criticizing you for having it, but if that is to be our remedy, and we could not do it all at once, tell us how we ought to do it, which we ought to do first?

Mr. WARNER. To reduce from a high tariff schedule to a free trade schedule is a matter of some study and it would take some time to put into effect.

The CHAIRMAN. Would you first commence by reducing the tariff, and would you do it by piecemeal, or would you do it all at once if you tackled the tariff?

Mr. WARNER. I would do it by piecemeal. It would shock things too much to do it otherwise.

Senator NORBECK. We have shoes on the free list. They are very high priced still. It takes more wheat to buy shoes than it did before?

Mr. WARNER. But you have not got labor on the free list.

Senator NORBECK. No; we are speaking of the tariff now. Therefore, the tariff does not seem to affect the price of shoes, for instance.

Mr. WARNER. I am not familiar with the tariff on all imported articles, but if there is no tariff on shoes there is a tariff on hides, is there not, Senator?

Senator NORBECK. No; there is no tariff on hides.

Senator MCNARY. Yes.

Senator NORBECK. Is there? I don't think so.

The CHAIRMAN. Let us get to a concrete proposition. Would you advise the repeal of the law restricting immigration?

Mr. WARNER. I would advise you to change it to let every able-bodied man on the other side who wanted to come in come in—not the old and decrepit and unhealthy, but everybody who can contribute something to the upbuilding of this country, I should say let him come in. Every such man is an asset. Every able-bodied man is an asset and not a liability.

The CHAIRMAN. Now, let us allow this witness to conclude, if he can, because there are a lot of witnesses here, and we are taking up too much of his time.

Mr. WARNER. I am taking up too much time myself.

Senator NORBECK. You are doing fine.

Mr. WARNER. Here is something that came to me from another part of the Capitol. It is a pamphlet that has been put out by the American Wheat Growers Associated. It supports this bill. That organization has headquarters at Minneapolis, Minn., and it has a temporary office down here in Washington. I don't know what they do down here in Washington. I am sure there is not much of a market here for grain, nor is there much of an export market here for grain, but their temporary offices are at Franklin Square, Washington. Here are some questions answered. I take it that perhaps they have been here already, and maybe this has gone in the record.

Senator MCNARY. Yes. I had it inserted in the record two or three weeks ago.

Mr. WARNER. I just wanted to comment on the questions and the answers thereto.

Is this Government price-fixing?

Not in any respect. It is merely a reverse application of the tariff principle, making that principle apply to what the farmer has to sell as well as what he

must buy. His export business would be handled exactly as is that of the organized manufacturing interest which disposes of its surplus production on export markets at prices below those obtaining in this country in order to maintain production and protect the domestic market from a surplus.

Now, I do not want to say that there is anybody that is deliberately misrepresenting there, but they are not parallel cases at all. In the manufacturing interests no manufacturer for any length of time ships anything out of the country upon which there is no profit. There would be no sense in it, because he could simply stop his factory from manufacturing. But he does make a lower price for export than he does for domestic purposes, but all of it shows a profit to him.

Now, so far as grain is concerned, it is sent out of the country, and there is a deliberate loss on it. That loss is made up in a very ingenious way by taxing the farmer who has previously sold it at an enhanced price. It is not a parallel case.

The CHAIRMAN. Before you leave that, you made a very interesting statement there, and I want to see if it is true.

The manufacturer sells his export product at a much lower rate than he does the domestic product, but still he sells it in export trade at a sufficiently high price to make a profit on it?

Mr. WARNER. Yes, sir.

The CHAIRMAN. Do you think that is true of all manufacturing business when they follow that kind of a policy?

Mr. WARNER. I do.

The CHAIRMAN. Now, then, it becomes interesting at once to know whether they made a sufficient profit on what they export that if the same profit were applied to that which they sell in the domestic market, they would still have a sufficient profit on which to do business? Do they make enough profit on the export part of their trade so that if that were applied to their entire business they would make a profit? Do you get the idea?

Mr. WARNER. Yes. Of course you know, Senator, I could not answer your question very intelligently, because the high price that is obtained in America unquestionably has to do with the high wages paid in America. I do not know what the relation of the wage to the domestic price is, but I do know that that is the situation, that the domestic price is higher than the export price, but both are profitable to the manufacturer.

The CHAIRMAN. Is there any doubt of this proposition? This statement you make I am not so much interested in on this bill as I am on the general subject of tariff. Is there any doubt that the manufacturer in his export business, although he sells at a lower price, still sells it at a profit?

Mr. WARNER. There would be no object in his sending it abroad at a loss. He can curtail manufacture, and you can not curtail the raising of crops. He would be a subject for a lunatic asylum if he sent anything abroad at a deliberate loss.

Senator NORBECK. Is it not sometimes done to get rid of a small accumulation, to clean up for the coming year's business?

Mr. WARNER. It might be, but that would be simply for a special reason.

The CHAIRMAN. Yes; but that would not be the general policy. I am not speaking of those instances that might happen on the domestic market, that he would sell at a price to get rid of it. That is not

the general policy, and it is the general policy that you are speaking of now.

Mr. WARNER. Exactly. Of course, an exporter would not keep on manufacturing an article any length of time at a loss. He can shut down. The farmer can not do that.

The CHAIRMAN. Manufacturers as a permanent policy sell for less abroad than they do at home. They do that right along.

Mr. WARNER. Surely.

The CHAIRMAN. That is what I wanted to get at.

Mr. WARNER. I was reading an article—I don't know whether it was in a paper or a book—showing that you could ship stuff abroad and bring it back here, lay it down on the dock here cheaper than you could buy it in this country. It was Mr. Bryan who made the statement that an article sold in this country that had gone abroad to the other side could be brought back here and sold for in this country for $17 less than it could be bought in this country. I don't know what the article was, but he could buy it that much cheaper abroad than he could buy that same article at retail here in this market.

The CHAIRMAN. I believe that has actually taken place sometimes.

Mr. WARNER. Now, here is another question which is so self-apparent that I wonder that they ever allowed it to get into print:

Will it increase production?

It will not increase production because the tax will be an ever present argument to all farmers of the evil of growing an excessive surplus. And it is obvious that the greater the exportable surplus, the higher the tax, and the less the net result.

Now, I don't know, but I tried to develop the question a moment ago that they would raise so much that the additional amount gained from the ratio price as it is called in the bill would exceed the tax. I don't know whether you got me or not.

Senator NORBECK. Yes; I think we understand.

The CHAIRMAN. I think we got it.

Mr. WARNER. As long as the farmers can produce at a price that is more than they will have to rebate back to cover the loss they will produce. It would seem to me so simple that one could hardly have the nerve to put that in print.

Senator MCNARY. Assuming that to be true, would that materially increase the acreage of wheat production throughout the country?

Mr. WARNER. Would it increase the acreage?

Senator MCNARY. Yes.

Mr. WARNER. It would tend to do it. They increase their wheat acreage only when they can make more profit by raising wheat than they could other articles, on stock and other things they raise on the farm.

The CHAIRMAN. It seems to me that would be true, although I do not think it would proabably be very material. After all, the total increase could not exceed the tariff level. They could not go any higher than that. That you would concede, would you not?

Mr. WARNER. Yes, sir.

Senator SMITH. Then the excess or surplus, if they increased it so greatly that the amount exported would tend to lower the foreign price, in proportion as it lowered that price, that difference would be reflected in the domestic price, and as he increased production he would decrease his profits to where one just about offset the other, so

that in order to get a greater amount of profit he would decrease, because he is guaranteed under this bill that what he sold domestically would receive the tariff-level price, and that would all be profitable.

Senator NORBECK. I beg your pardon, Senator. Maybe I do not understand the bill correctly, but I don't think there is any implied guaranty here of the tariff-level price. The basis of price is the pre-war exchange value.

Senator SMITH. Yes, but what I was driving at was developed here the other day. What we are attempting to do in this bill is to bring farm products up on a parity with other commodities so as to get the ratio level; that is, to get the wheat dollar on a purchasing parity with the dollar of the manufactured goods, and I take it for granted that the dollar of manufactured goods is up as high as the tariff would allow it to go.

Senator NORBECK. There was one other matter. I don't know that it is important, but the witness spoke about the two lines of business, the exporting and the receiving lines. I don't understand the plan. I just wanted to be informed.

The CHAIRMAN. He means buying here in the domestic market.

Mr. WARNER. Senator, some years ago there used to be two classes of people here at the seaboard. There was a class who received wheat from the West, accumulated it at the seaboard, and nothing else.

Senator NORBECK. What we might commonly call wholesalers.

Mr. WARNER. Exactly. They in turn sold to the exporters. The exporters, on the other hand, did not do the receiving business; but as the thing developed, when there was not enough margin between the two to continue the two interests, those acting as receivers either gave up the business or became exporters, so that now the exporting end of it does both the receiving and exporting.

The CHAIRMAN. When that change took place, when you went into both business it drove out of business the fellows that were just in the receiving business, did it not?

Mr. WARNER. No. There was no driving out of business. One interest would be starved out.

The CHAIRMAN. I don't care whether you call it driving out or starving out; they went out of business?

Mr. WARNER. They went out of business; yes.

The CHAIRMAN. Nobody suffered very much. Even the fellows who went out of business probably did not suffer; they went into some other business and got along all right?

Mr. WARNER. They perhaps went into the export business.

The CHAIRMAN. If we took another step and put the exporters out of business, why would not that be the same proposition involved, if you can do it more economically in some other way?

Mr. WARNER. The Government has already passed on the question that the exporters are necessary as long as they obey the laws; that they are necessary in distributing the products of the farm. There is no question about it; if there are any two people whose sympathies should be together it is the exporter and the farmer. When the farmer is not prosperous the exporter is not prosperous, and when he has good crops and is prosperous then the exporter is prosperous. Their two interests harmonize. There should be no

enmity between them. It seems to me that the distributer is an arm of the farmer. If it was not so, the farmer would do his own distributing. The distributers are not there because they butted in on this business; they are there because there is a real demand for them, and the farmer does not do the distributing because he can employ his services better in the raising of grain, about which he knows something, instead of trying to distribute, as to which he knows nothing.

Senator MCNARY. Comparing the prosperity of the two, I think in the last four years the wheat growers of the country have not been prosperous. Does that same condition obtain with respect to the exporters?

Mr. WARNER. Exactly, as is borne out by what I tell you of the number of members of this association of which I am president. They have gone down from 53 to 45. That is an indication, anyway, and it is a fact that some of the exporters have given up business. There has been one failure, and there have been others that have gone into the business and given it up.

Senator MCNARY. Do your commissions for services depend on the price the farmer gets for his wheat, or do they depend upon the price you receive for it abroad?

Mr. WARNER. It depends upon the margin you can get between the purchase and the sale.

Senator MCNARY. That is what I assumed to be true. How is that in any way affected by the prosperity or want of prosperity of the farmer?

Mr. WARNER. I take it the farmer is prosperous when he has got good crops and good prices, and the fact that he has good prices is an indication that it is moving for export, and if he has a surplus to handle, the exporters are bound to handle it sooner or later.

The CHAIRMAN. Let me get the method of doing business. These exporters in this organization of which you are president actually buy the wheat?

Mr. WARNER. Yes.

The CHAIRMAN. And they own it and their profit comes in exporting it and selling it abroad for a higher price, of course?

Mr. WARNER. Yes.

The CHAIRMAN. Now, what is the object of your organization? Why have these 45 concerns organized, and why are you president of that kind of an organization?

Mr. WARNER. The 45 members have been organized not for any price purpose, but to harmonize interests, to harmonize organizations on the other side, to adopt uniform methods of handling grain.

The CHAIRMAN. By your organization you are enabled to get more profit, are you not?

Mr. WARNER. Oh, not the slightest.

The CHAIRMAN. Then your organization costs something to keep up?

Mr. WARNER. Not a great deal.

The CHAIRMAN. Well, it costs something, does it not?

Mr. WARNER. The income of our organization last year was, I think, $10,000.

The CHAIRMAN. Well, now, if your organization is not of any benefit and does not enhance your profits any, why do you spend that $10,000 for nothing?

Mr. WARNER. The most of the business of the export organization, ever since it has been organized has been in respect to bills of lading and contract terms, and there is nothing else but free competition in the grain business itself. Almost the whole attention of the export corporation has been in regard to bill of lading terms and in regard to contract terms with buyers on the other side, trying to get them uniform.

The CHAIRMAN. If you did not have any organization about these contracts abroad, would there not be some competition between your members about that?

Mr. WARNER. There is competition now.

The CHAIRMAN. Exactly; but would there not be more competition if you did not have a settled policy—I mean a settled contract, for instance? You are all using the same one. It would be uniform. What is the object of that unless you profit by it?

Mr. WARNER. The contract is supposed to contain about all the rights the shipper ought to have and about all the rights the buyer should have. There is not a long argument every time you open up negotiations with a buyer as to the conditions of the contract.

The CHAIRMAN. Could you not do that without having an organization with the other men in the business?

Mr. WARNER. Why, certainly. Nobody is bound to accept that contract. There is no pressure involved there at all. No member of the association is bound to accept it. Any member can use any kind of a contract he wants to with his buyer.

The CHAIRMAN. Do they all use the same contract?

Mr. WARNER. No. Most of them use this standard contract.

The CHAIRMAN. The most of them?

Mr. WARNER. Yes.

The CHAIRMAN. And others use other contracts?

Mr. WARNER. There is nothing to prevent them using any contract they want to.

The CHAIRMAN. If the object of your organization is to have them use the same contract, or that is one of the objects, then at least to that extent the organization has failed, and you have not accomplished what you have tried to do by organization?

Mr. WARNER. Everything is done by persuasion, and nothing by force. Sooner or later all interests will know that to work on one contract will be to their benefit. They know all the time what they are doing.

Senator SMITH. Let me ask you this question. You say the export corporation buys the wheat and sells it. It is manifest, then, that the cheaper you can get the wheat from the farmer and the higher you can sell it abroad, the wider your margin of profit is?

Mr. WARNER. Yes, that is true.

Senator SMITH. Therefore these export corporations necessarily get more profit the lower the wheat is in this country as compared with the price abroad?

Mr. WARNER. Senator, the competition is so keen in this country that that situation you speak of never could possibly happen.

Senator SMITH. I don't care what happens. I say that is the fundamental principle upon which you work; it is the persistent object you have in view, to make profit out of your business?

Mr. WARNER. Certainly.

Senator SMITH. And you make profit out of your business and what you do, and the profit is represented by the difference between the price you pay and what you sell it for?

Mr. WARNER. Yes.

Senator SMITH. So in general you are trying to get it as cheap as possible and sell it as high as possible?

Mr. WARNER. I will not deny that. That is common sense, is it not?

Senator SMITH. Sure. But we have found that that procedure has brought about a hopeless condition of the farmer, the disorganized farmer as against the organized purchaser.

Mr. WARNER. No, Senator. I dispute you there. That has not come about at all. There is no organized action at all on the part of the exporters to buy at fixed prices. Absolutely there is as much competition between exporters as there is between any other class of people on earth, and that is why the margin of profit between the prices at which they buy and the prices at which they sell is probably lower than on any other article that is handled in this country.

The CHAIRMAN. Is there anything more you want to say?

Mr. WARNER. No. I am ready for questions now.

The CHAIRMAN. I guess we are through.

STATEMENT OF MR. ALBERT C. LORING, PRESIDENT PILLSBURY-WASHBURN FLOUR MILLING CO., MINNEAPOLIS, MINN.

The CHAIRMAN. First state your name, your occupation, and residence.

Mr. LORING. Albert C. Loring, president of the Pillsbury-Washburn Flour Milling Co., Minneapolis, Minn.

I might preface my remarks by saying that I am entirely in sympathy with the purposes that the bill attempts to accomplish, and in discussing this question I think also those who are endeavoring to find the solution of the problem are as sincere as I am in making my own statement regarding it.

I believe that what you attempt to accomplish, however, would prove a failure and a great disaster to the country. The purpose of the bill is to stabilize farm products and raise them up to the price level of other manufactured goods. While we must admit, those of us who are acquainted with the situation, that the farmer is in a very unfortunate condition, and it is unquestionably true that his purchasing power is not adequate as compared with conditions or with the things he has to buy, the question is how to properly correct this difficulty, and that is the question that you gentlemen are trying to solve.

To my mind, the fundamental cause of our high prices is due to labor. Labor is the large percentage of the cost of most manufactured articles, and it enters into not only manufacturing but also into transportation and has been protected and has had a large percentage of the reward or profit that has come the past four or five years, or since the war—a larger percentage of profit than either industry, manufacturing, or farming. It is a condition that we would all, of course, like to see maintained. There is no one, I assume, that is anxious or desirous of seeing any body of our citizenship made less

prosperous; but in dealing with this problem it is not one of any one class of people; it is a question of the people as a whole. In dealing with it I can see how you would meet with most unfortunate results.

The purpose of the bill is to empower this corporation to take all farm commodities (and I am not dealing with wheat alone), and where there is a surplus, dispose of them for export in the hope that the farmers' commodities may be raised to the price level that is established by the bureau that is to accomplish this purpose, and announcement made.

This country is a protected country. We have for generations been working on the protective theory, and whether we are right now in our theory or not right is a matter of political discussion and always has been and always will be; but take the industries that are protected, and to take away from them their raw material and send them into other countries would nullify the purpose of your protection and destroy to a very large degree the prosperity of the manufacturer, and the manufacturer is an essential interest to every community in which he is.

Senator McNARY. You mean the manufacturer of——

Mr. LORING. Of all raw material.

It does seem to me that with the productive power of the United States, it is very essential that we build up markets for our manufactured materials and not destroy them. I believe it is possible that it may be done. I think that the creation of the Shipping Board was along proper lines. I think that the losses that are incurred in that respect are along the right lines, because I believe we must build up our industry in order to maintain and keep our labor employed.

Senator McNARY. You are in favor of a ship subsidy?

Mr. LORING. I am, in some form, because I think that the United States Government is no different from any other industrial enterprise. It must be built up to the extent of absorbing the material that we have for sale, and we have for sale a great many commodities, and they should not be restricted in their sale.

I think that you are deceiving yourselves in this bill in believing that it would correct the difficulties, in assuming that labor would be satisfied and the consumer would be satisfied. My reasoning may be wrong, but I think it would work something like this: To-day we see common labor in a large part of the United States receiving $5, let us say, which is not more than adequate. The farmer is not receiving over $2.55, or whatever the market may be. You are going to raise him up by this process, or hope to do so, until the raw commodity brings a comparative price. I can not reason to myself but that it is only going to be a short time before the shoe must sell at a higher price, because leather will be at a higher price, and flour must sell at a higher price, $2 or $3 a barrel, and cotton goods and everything that is produced on the farm will be raised in price until labor will take the same position the farmer does to-day, and he will say, "I was receiving $5 some years ago, but my purchasing power now does not equal more than $4, and I demand a raise to $6," and then this continual advancement will go on.

Senator McNARY. Are you familiar with the provision of the bill that says when the purchasing power of the farmer's wheat and the price of labor and other commodities are on a parity the bill ceases to function?

Mr. LORING. When they are on a parity?

Senator McNARY. Yes.

The CHAIRMAN. I suppose your theory is—and it seems to me right, too—when the farmer's purchasing power has been raised up up to this level somebody has got to pay, and that must come out of the consumer.

Mr. LORING. Surely.

The CHAIRMAN. And that means the cost of living has increased, hence the thing is out of joint at once?

Mr. LORING. Yes.

The CHAIRMAN. And applying it to the railroads now, the cost of living goes up and the railroad man has a right to say he must have his wages increased.

Mr. LORING. Yes.

The CHAIRMAN. Then the railroads will say, "We have to pay more wages, and we have to have more freight," and we have got around the circle?

Mr. LORING. You have gone right around the circle again.

The CHAIRMAN. It seems to me that is a just criticism of the bill.

Senator McNARY. I think there is a little in that, but I don't think it goes to the extent that is indicated.

Mr. LORING. If I am wrong in my reasoning I am only glad to be corrected.

The CHAIRMAN. As to just how much that would increase it of course is a question. I think it is admitted by sincere students of this bill that it would have that tendency. We will disagree radically probably as to how much that increase will be, and I admit myself that necessarily it is nothing more nor less than a guess. If the tendency is there—and it seems to me it must be there—I can not see but what you are working in a circle.

Senator SMITH. Is not that tantamount to saying that in this country somebody has got to be the goat, and leave tremendous profits to a certain crowd and leave another vast element to absorb that at their expense? Is it not tantamount to saying that? Is there not a point at which all business can have a parity and thereby stabilize, and not leave one to absorb it all?

The CHAIRMAN. I think, Senator, you may be right entirely, but I can not get away from this thought, that when you increase what the farmer is going to get for his products, somebody had got to pay it, and that means the consumer has to pay it, and that means the cost of living has gone up. I don't see how you can get away from that.

Senator SMITH. Why, that follows as a matter of course.

The CHAIRMAN. The consumer now has about all the burden he can bear.

Senator SMITH. But we don't justify that.

Senator McNARY. I think those in favor of the bill go on the theory that this cost to the consumer will be so small as compared with the benefits to the farmer that it will not be appreciable.

The CHAIRMAN. It is claimed that it will be absorbed in existing conditions, I know. Maybe it will, but somebody has got to pay it. There is going to be an increased cost that somebody must bear, and it is true through the whole history of the civilized world that everybody can pass it on except the producer, and he will pass it on to the ultimate consumer, but when the farmer is confronted with an

increased cost of production he can not pass it on. He is at the end of his leash.

Senator SMITH. And it is the purpose of this bill to protect him from being the one to whom it is passed on.

The CHAIRMAN. Yes; that is the purpose of it.

Senator SMITH. That is the purpose of this bill and it seems to me to be a good purpose.

If I may, I would like to ask Mr. Loring a question.

You made a very interesting statement just now that I think is the whole milk in this coconut, when you said we are on a protective basis, and if we now enter upon a policy of not taking care of the surplus of raw material, that you would take away the incentive to production, or the profits, which is another way of saying that the unorganized agricultural interest is furnishing the raw material at such a price as to make production to the organized fellow profitable; but if we substitute a Government organization for the farmer and thereby put him in an organized way equal to the other, and raise his price up where he, through the Government, will get the benefit of the protection we so much boast of, then the manufacturers protection would disappear and there would be no incentive for it. That means that the farmer gets protection and the other fellow would not get as much as he is now getting and therefore you can not afford it.

Mr. LORING. May I proceed?

The CHAIRMAN. Yes.

Mr. LORING. The thought with me is that the bill, as I said, will not produce what you gentlemen are so exceedingly desirous of having. I will briefly refer to the business adventure I engaged in, as I know little about hay or cotton or other classes of material.

The miller of this country has been an exporter to a greater or less degree according to his location and the opportunities he has for doing that business. It is to the essential interest of every miller whether he be a large exporter or not, that the greatest amount of export can be accomplished that all may prosper, because the milling business to-day in the United States is very much larger than the consuming power of the country. The amount of flour that can be consumed in the United States and exported from the United States can be manufactured in four months.

The CHAIRMAN. How is that?

Mr. LORING. The greatest amount of flour ever consumed in the United States——

The CHAIRMAN. In a year?

Mr. LORING. In a year, and the greatest amount of flour ever exported from the United States can be made by the capacity of mills in the United States in four months.

The CHAIRMAN. That is, if you put the export and domestic consumption together, taking the whole year's product there are enough mills in the country to manufacture the flour in four months?

Mr. LORING. Yes, sir.

Senator NORBECK. That is just the domestic consumption?

Mr. LORING. No, sir; export and domestic.

A very large percentage of those smaller mills are exporting mills, particularly those that are on the coasts: that is, the Pacific coast, the Gulf coast and the Atlantic coast. The balance of the mills are

to a greater or less degree domestic. Of course, many of the mills, or all of the mills do more or less exporting. Now, if you went to work and created a condition by which the wheat of this country was going to be sold at a price that it could be disposed of in Europe, it would be sold way below the market value of that grain, and you would continue to depress the price in that market.

One of the troubles today is that there is too much grain, in the world, and that is one of the causes for the relatively low price; and, too, the fact that our country has a surplus not of such grain as the world wants to a large degree, but of such character of grain as is easily available. The world wants high gluten wheat, and that grain is raised in our three northwestern states and in Canada and in parts of Oklahoma and Kansas. There is no surplus in this country of that type of grain. To attempt to move the grain in export and have it disposed of at any price that it could be disposed of would only tend to lower the world's prices of grain. As a general proposition the buyer of grain and the merchant in Europe are very clever. I think that one of the things that we are suffering from materially this year, is having too much publicity about surplus crops and the necessity of our farmers being compelled to dispose of it.

The papers and every public organization have given out that class of information until I think the farmer has been made to suffer to a very large degree.

Senator LADD. Can you tell us what is the source of that information? Where has it been coming from?

Mr. LORING. It has been coming from all sources, has it not, Senator? I think that the Department of Agriculture puts it out in a statement that we had a very large exportable surplus.

Senator LADD. I have been receiving a great deal of literature during the last few months largely emanating from Chicago, and I wondered if that was the principal source of it.

Mr. LORING. I don't think so. Senator, the millers of this country have attempted, and without very great success, to create a better demand for food products in the hope that the surplus might be partially relieved and overcome.

Senator LADD. I was not referring to the millers.

Mr. LORING. That was done by the millers. I think possibly we did as much harm as good. We did create some little demand, but it was not effectual.

Senator LADD. May I ask another question in this connection?

Mr. LORING. Surely.

Senator LADD. If there are so many mills more than are necessary, then how do you account for the fact that such large mills are being located at the present time at Buffalo?

Mr. LORING. Because of the geographical situation and the necessity of taking advantage of it, and the breakdown of our transportation system, and such conditions as that, that have forced building there. We, ourselves, are putting an 800,000-barrel mill there.

The CHAIRMAN. The building of a mill at Buffalo is to bring about a cheaper freight rate, is it not? Is not that the secret?

Mr. LORING. Yes, sir; I am not a transportation man, and I have not kept thoroughly in touch with transportation questions, so you will pardon me if my statements are not absolutely correct, but we can deliver grain to our Buffalo mill at the same price we can deliver

grain in Minneapolis. The freight from Minneapolis to Buffalo and territory lying east of that is about 42 cents a barrel.

The CHAIRMAN. You mean you can deliver grain at Buffalo as cheap as you can at Minneapolis?

Mr. LORING. Practically so.

The CHAIRMAN. Where does that grain come from?

Mr. LORING. It comes from the West, from Kansas and Oklahoma, drawing grain from 8 or 10 States.

The CHAIRMAN. For instance, can you deliver grain from North Dakota and Montana as cheaply in Buffalo as you can in Minneapolis?

Mr. LORING. Substantially.

The CHAIRMAN. Why is that?

Mr. LORING. The freight is the same to Duluth, and then we have to draw it down to Minneapolis by an out of line haul.

The CHAIRMAN. Suppose I was at Billings, Mont., with a carload of wheat that I could ship to Minneapolis or Buffalo. Would it be just as cheap?

Mr. LORING. I could not answer that question, Senator. As I said, I am not versed entirely in that situation.

Senator MCNARY. Is not that situation due to water competition?

Mr. LORING. It is due to quite a number of situations, Senator. As I remember, years ago, Congress saw fit to remove the ownership of steamship companies in railroads. That immediately broke the chain of the railroad companies and the steamship companies, and the railroad companies now are no longer able to make rates to eastern points. Therefore, the chain is broken and we have to pay and we do pay the local rates, practically, on open tonnage from Duluth to Buffalo, and that rate, of course, depends entirely on the——

Senator MCNARY. Taking up the question the chairman asked you, where you do not come in contact with water-made rates, would it cost more or less from Kansas to Buffalo than it would to Minneapolis?

Mr. BORING. It would cost more to Minneapolis, because after you get your wheat into Minneapolis then you have to pay your all rail rate on flour as against your wheat rate.

Senator NORBECK. Forty-two cents a barrel?

Mr. LORING. The rate is 42 cents a barrel. The rate on wheat varies, I think, from the lowest 1¾ cents from Duluth to Buffalo, and it runs from that to 4, 5, and 6 cents.

Senator NORBECK. Per bushel or per hundred?

Mr. LORING. Per bushel.

So that on all this territory lying east of Buffalo we are so penalized that if we are to continue in that business we must get at least as far east as Buffalo.

Senator NORBECK. That was a very interesting statement you made in reply to the chairman's question as to from what distance wheat could reach Buffalo at bout the same price as Minneapolis.

Mr. LORING. I think Kansas wheat could, for instance. But I think some of these grain men that deal in grain from that country can answer that question better than I can. I would be glad to answer it if I had the information, and if I had known this question was coming up I would have gotten the information so that I could have given you exactly the rates.

But that is the general proposition, as far as I understand it.

Senator NORBECK. That is both in the Southwest, you say, and parts of the Northwest.

Mr. LORING. For instance, from Kansas and Oklahoma we are drawing it by out of line haul, and we can get it up to Buffalo at a less price.

The CHAIRMAN. At a less price?

Mr. LORING. I mean relatively a less price than we can by bringing it around by Minneapolis.

Senator SMITH. Is not that due to the grouping of the roads and uniform rate as applied within certain groups?

Mr. LORING. I think that is caused in part by the fact that all roads have been heretofore constructed east and west and every road is very loath to let go of an intermediate tonnage. They want the through haul, and as there is no direct line north and south, therefore I have been contending for years, and I hope some of our good friends will see the light, that Duluth and Chicago should have the same rate conditions. The cost of hauling grain from Duluth to Buffalo is less than hauling from Chicago to Buffalo.

The CHAIRMAN. That is a water rate?

Mr. LORING. That is a water rate. Therefore we ought to have the benefit of our Duluth market and should have the right to draw our grain to Duluth in competition with other sections. But that is a local milling question and not one you gentlemen are interested in at this moment.

Senator MCNARY. Mr. Loring, I would like to have you tell the committee in what way this bill would injuriously affect the milling business.

Mr. LORING. I am coming to that. As I said, the milling business is tremendously overdone. It is meeting with the same misfortune that any industry, whether it be farming or any other industry, suffers when it has not a field. I assume that the success of the miller is very largely the success of the farmer, because the ultimate end of wheat must necessarily be the production of flour and the by-products resulting from it. The same difficulty that the farmer is suffering from is prevalent among the millers. They are going to the wall and with great rapidity, and the cause of it was overconstruction, over boom during the war period, and the unfortunate belief that all you had to do was to build a flour mill and you had a fortune.

The CHAIRMAN. Were there a great many mills built during the war?

Mr. LORING. Yes. There were a great many mills built. There was more capacity built during the war, and after the war more than double the capacity of Minneapolis, which was not required, and now the effects are beginning to be felt. We have the same problem confronting us that every mill has, and that is that certain classes of material must be exported at a price, it does not make any difference what that price may be, because our American public will not consume it, and we have to the north of us Canada, against whom we have a protective tariff, which, of course, more naturally has a field to itself, and particularly in the dependencies of Great Britain she has a protective tariff, or practically a wheat bounty. She does ship into this country more or less, even under the protective tariff, and the reason she has done so is because of that particular class of material that our American baker desires.

The CHAIRMAN. How much wheat are your mills importing now from Canada?

Mr. LORING. We are importing nothing but we would import for export at Buffalo.

The CHAIRMAN. You are not buying Canadian wheat?

Mr. LORING. We have bought some Canadian wheat, but to a very small degree. My recollection is about 250,000 bushels.

The CHAIRMAN. Give us an idea of the volume of business you do in your mills.

Mr. LORING. You mean as compared to the whole?

The CHAIRMAN. Give us the output of your mills.

Mr. LORING. The output of our mills last year was a little over 7,000,000 barrels.

The CHAIRMAN. How many mills?

Mr. LORING. We have six mills.

Senator NORBECK. Located where?

Mr. LORING. Four in Minneapolis, one at Anoka, Minn., and one at Atchison, Kans.

The CHAIRMAN. And you are going to build at Buffalo?

Mr. LORING. We are building at Buffalo.

The CHAIRMAN. What is going to be the capacity at Buffalo?

Mr. LORING. About 800,000 barrels.

The CHAIRMAN. You find it profitable to build at Buffalo, notwithstanding the fact that the mills in the country are so much overbuilt?

Mr. LORING. We are compelled to do it to meet competition. We can not compete with a mill located at Buffalo. We would lose our business if we had to go on competing with the conditions that we have with our mills at other places.

The CHAIRMAN. Prior to the increase of milling capacity that the war brought about, in former years, with the existing freight rates you were able to do that?

Mr. LORING. We are unable to do it now because of this condition of breaking away of the steamship lines from the railroads, and the railroads are not making the freight rates.

Senator NORBECK. May I ask a question as to what percentage of the flour manufactured in the United States is manufactured by your mills?

The CHAIRMAN. I interrupted him. He was going to answer that.

Mr. LORING. The population of the United States is what? About one hundred and twelve or one hundred and fourteen million. The production is about 118,000,000 barrels, somewhere between one hundred and eighteen and one hundred and twenty million, and ours is about 7,000,000.

Senator SMITH. About how many bushels of wheat in a barrel of flour?

Mr. LORING. That depends entirely upon the character of the wheat.

Senator SMITH. On the average.

Mr. LORING. It has always been assumed to be four bushels and a half.

The CHAIRMAN. What is the milling capacity in Canada?

Mr. LORING. Canada is very much more overbuilt than we are in proportion to her population.

The CHAIRMAN. That is what I mean.

Mr. LORING. She has four very large concerns doing a heavy milling business, and a much more profitable one than in the United States, except where they are speculating. It is usually the case when they go into bankruptcy; it is because they have been speculating.

I might say in that behalf I went into the milling business in 1877 and I have never known a disaster in the milling or grain business that was not immediately accounted for or associated with speculation. Where they attended to their business legitimately they have prospered.

Senator NORBECK. Would that be true of the smaller mills in the Northwest, too?

Mr. LORING. Yes, sir.

The CHAIRMAN. Is it necessary in your business, in order to keep your flour at the proper grade, so that it will sell in the American market, that you have Canadian wheat to mix with it?

Mr. LORING. No.

The CHAIRMAN. That is the claim on a part of a lot of mills.

Mr. LORING. That is not true.

The CHAIRMAN. That is not necessary with your mills, and if it is not necessary in your mills it is not with others?

Mr. LORING. No, sir. If our good friends in the Northwest succeed in raising the character of wheat that they should raise, and that character of wheat is ample for our needs, we do not need Canadian wheat.

The CHAIRMAN. How do you account, then, for this importation of Canadian wheat right along, notwithstanding it costs more?

Mr. LORING. It is not right along, Senator.

The CHAIRMAN. I have on my desk in the other room, from the Agricultural Department, in answer to an inquiry I made, a statement of the importations of wheat from Canada.

Mr. LORING. Are not those importations into Buffalo?

The CHAIRMAN. Now, let us take those Buffalo mills, for instance. When you get your mill constructed in Buffalo, will you have to have Canadian wheat to mix with your American wheat?

Mr. LORING. No; we don't intend to. If we did any exporting business it would be under bond.

The CHAIRMAN. I am not speaking of that.

Mr. LORING. No; we would not find it necessary.

The CHAIRMAN. Then it would not be necessary either in Minneapolis or Buffalo or, for that matter, any other place, for the miller to have Canadian wheat to mix in order to keep the flour up to grade?

Mr. LORING. No, sir.

Senator LADD. Why are they so insistent, then, that they should be permitted to bring it in?

Mr. LORING. Is it not for export?

The CHAIRMAN. This is a different proposition, Senator. I am not asking him about that.

Senator LADD. But under the tariff law, as a matter of fact, I received a letter yesterday stating there was a good deal coming in, and the price at which it was being sold in spite of the tariff was below the price of domestic.

Mr. LORING. That is partly due, Senator, to the fact that, as I think I can demonstrate, we have had poor crops. The farmer is

suffering in consequence of that. Under those circumstances, the demand for the top wheat is such that brings a very high premium and in consequence of that it undoubtedly must be drawn into Buffalo at a less price than our premium wheat plus freight. Is that not the case?

Senator LADD. I assumed it was. I wanted to get the information.

The CHAIRMAN. I have some communications to the effect that Canadian wheat had gotten in as far inland as Omaha. How would you explain that? That was during the last year.

Mr. LORING. I should assume that might be the case from the fact that Omaha is in a soft-wheat territory. Nebraska is, as a general proposition, a soft-wheat State.

The CHAIRMAN. Yes.

Mr. LORING. As a general proposition, and to raise those flours up to a merchantable condition to meet the demand of our public, unquestionably they could use a certain amount of this exceedingly high-protein wheat.

The CHAIRMAN. Then this question arises at once: If you do not, in your mill use Canadian wheat and pay that high tariff, and the Omaha mills do pay that high tariff and also the freight haul clear down there, how can they compete in the market with your product?

Mr. LORING. Because the amount they use is very small.

The CHAIRMAN. The amount of wheat they use?

Mr. LORING. The amount of that type of wheat they use. It is simply to stiffen up the flour.

The CHAIRMAN. To the extent that they do use it they are handicapped in their competition, are they not?

Mr. LORING. No. The world is full of soft wheat. It is a drug on the market, and that is what our friends in Washington and Oregon to a degree are suffering from.

Senator NORBECK. In other words, they buy the soft wheat enough cheaper to make up the loss on the Canadian wheat?

Mr. LORING. That is the point exactly. That is one proposition involved in this bill, because we haven't any surplus of high-protein wheats in this country, and our good friends over on the other side have a large surplus of high-protein wheat.

Senator NORBECK. I am not sure I understand what you mean when you speak of high-protein wheat? Is that confined to the northern States, or does that include Oklahoma and Kansas?

Mr. LORING. Minnesota, North Dakota, South Dakota, Montana, Oklahoma, and Kansas to a degree and some in Idaho.

Senator NORBECK. But Nebraska raises soft wheat?

Mr. LORING. There is very little very hard wheat raised in Nebraska.

The CHAIRMAN. Why is it they can raise hard wheat away down in Oklahoma? I supposed the reason the Dakotas, Montana, and Minnesota raised it was because of their altitude, and the same thing of Canada. I had supposed that that kind of hard wheat could only be raised in that north altitude. If they raise it in Oklahoma, couldn't they raise it in Kansas, Nebraska, and Iowa?

Mr. LORING. They do raise it in Kansas and they do raise it in Oklahoma, but I know of no large amount of high-protein wheat raised anywhere else.

The CHAIRMAN. Why could they nor raise it there?

Mr. LORING. It is because of climatic conditions, I imagine.

The CHAIRMAN. What sort of climatic conditions does it take?

Mr. LORING. I think our good friends at Manhattan, Kans., have been successful in developing high varieties of wheat, and I have seen a statement which you gentlemen probably can verify that California has now succeeded in getting a wheat that is very much higher in protein.

The CHAIRMAN. I am very much interested in it, because it seems from your testimony there is a gap in there. You come down with the high glutenous wheat into South Dakota and you jump over Iowa and Nebraska until you get down into Kansas, and you produce that good wheat again. What is the reason for that?

Mr. LORING. I think Senator Ladd could answer that better than I could.

Senator LADD. I think in North Dakota our farmers find it more profitable to raise the Durum wheat. That has a special use.

Mr. LORING. That is another question that comes in here. Durum wheat is very heavy, and it has not a great many of the qualities for bread flour, and even if it is blended it does not make satisfactory flour. It had a purpose of its own and should be protected.

Senator NORBECK. What is it?

Mr. LORING. Macaroni.

The CHAIRMAN. All right, Mr. Loring, you may proceed, now.

Mr. LORING. The American miller, if he is to live or to be successful in a large degree must have an export market in which to dispose of the flour that he can not sell at home, and it may be wise or unwise, but our consuming public are not inclined to accept straights. They regard them as inferior flours. You can not sell it. We see that in the most remarkable degree in rye. After the war we were unable to run our rye mill, and have been unable to operate it for any length of time since the war. People seemed to have gotten their fill of substitutes. Personally, I think rye flour is one of the most delightful things you can put on the table, but people will not buy it. Consequently rye is very much lower relatively than wheat, and wheat is bad enough, the Lord knows.

Now, I have dealt with various parts of the world in my milling business, from Turkey to Japan, and I am fairly well acquainted with the temper of a great many of these countries. The American miller is doing a large part of his exporting into countries that were not ordinarily sold during the war. We have gone down into Turkey and Egypt and all the Balkan States, and I admit it is in part due to the fact that our materials are reasonable in price, and the want of food is so great and the want of money equally great that they are disposed to buy them. Now, I can not help feel that if you destroy the export milling which is essential to the industry, and there are something like 6,000 or 7,000 mills in the United States, as the Agricultural Department year book shows, you are going to produce a very serious condition. Many of those mills are going to the wall because of their unfortunate geographical situation, many of them are going to the wall because of bad management and failure of banks in certain sections of our country, and others will go to the wall if you produce a condition where they must only operate locally in their territory.

Up to a very few years ago you heard no talk in England about the protective tariff. I don't think that up to the time of the war

you would hear one man in fifty that you came in contact with that would talk about the protective tariff, and yet this last election was fought out on three points, the conservatives for the protective tariff, the liberals for free trade—and the labor party for capital assessment. Those were the three things that were uppermost in the minds of the voters of England at this last election. The laborer quite naturally would be for protection, but every country is going to try to protect its agriculture, and if they can nor protect it in any other way they are going to protect it by a tariff. We have laws in this country to prevent dumping. You propose under this bill, as I read it, to dump the surplus of this country on such countries as it can be dumped on, and we will have a protective wall built up such as we never dreamed of, and we will then be just simply an internal government.

The CHAIRMAN. We will not be dumping more than we dump now, will we?

Mr. LORING. Surely we will.

The CHAIRMAN. It can not be unless we assume the bill will increase production.

Mr. LORING. I think the effect would be to increase production.

The CHAIRMAN. That would be the only extent to which our exportable surplus would be increased, would it not?

Mr. LORING. No. I think that the processes by which the grain is sold would be a little bit more logical than they would be under Government control, in that those classes of wheat that are exportable are the ones that seek the market rather than the wheat as a commodity. While I have no criticism whatsoever of my good friend Barnes, during the war he certainly did everything to bring about the best solution of the difficulties that this country was confronted with, but yet we poor people in the Northwest who were exceedingly loyal were most beautifully punished, and we have not entirely recovered from it yet, and it was not because of any desire on the part of Mr. Barnes to treat anyone improperly or to be unjust in any respect, but he took away our wheat and gave us Oregon, and if you can imagine the trade that had been built up on northwestern wheat grinding Oregon and giving it to the public, you can imagine what our business was. I am very fearful that dislocation would take place under any management by the Government, no matter how honest or desirous they were in carrying it on. Therefore I feel, since it is a fact that this grain goes into milling, that milling is essentially a large factor in our industrial life and should not be entirely overlooked.

There is another feature of this bill which also would be destructive, and would tend to eliminate the miller and ultimately the grain business itself, and that is the provision in the bill by which the department on the 15th of each month announces the price. I can not conceive of anybody being engaged in the manufacturing end of the grain business purchasing the raw material who is going to be told what the price of the grain is or what it is worth. Certainly, there is not enough in the milling business to justify any such condition. I suppose we have on hand to-day 5,000,000 bushels of grain. The purchase of that grain certainly has been an enormous advantage to our northwestern farmers. It has prevented the breaking down of the market. We have been enabled to buy it

and dispose of it. We certainly could not buy it if we knew it would be 10 or 15 cents less on a certain date.

The CHAIRMAN. That provision of the bill is that they shall announce the price on the fifteenth of the month. Of course that price will be based on the calculations made.

Mr. LORING. And nobody knows, in buying that grain, what is it going to be.

The CHAIRMAN. Would not this be a safe conclusion to draw from that, that since they would base it on these tables of the various articles the variation would be very slight?

Mr. LORING. My dear man, the variation would be 3 or 4 cents, which would wipe out any profit in the milling business.

The CHAIRMAN. Would it be as much as 3 or 4 cents?

Mr. LORING. We have seen days when one commodity, because—take cotton, for instance. It was not so many years ago that I think we had a bale of cotton in nearly every town in the South, under that appeal "Buy a bale of cotton for $50." I think every place we had a customer in Florida and Georgia we had a bale of cotton.

The CHAIRMAN. Yes; I know that, and while I am not responsible for that at all, I have thought about it a good deal, and I confess I wonder just how it would work, but I think it is fair to say that those who propose it honestly believe it would work. Now, you will always be basing it on a lot of commodities. In other words, they want to keep the purchasing value of the farmer's dollar the same.

Senator NORBECK. Based on the 404 commodities?

The CHAIRMAN. Yes. They enter into the cost of living everywhere. Unless there was a very rapid fluctuation in those commodities, it does not seem to me, taking them all together, as a whole, there ever would be a time when there would be a wide fluctuation. I may be entirely wrong, but it seems to me it would be practically stable. It would seem to me that, as a matter of fact, this would be a rather stabilizing influence. I suppose your objection is that in your business you have to buy your wheat a good deal more than 30 days in advance, so that you would have to buy it at a price which you could get it for at a time when the price had not yet been fixed.

Mr. LORING. As the condition is now, Senator. Our concern has never been, nor have I, in my life, a speculator in grain, nor have I ever owned any grain. I have always been a paid employee of the company with which I was connected, and a stockholder. I have always felt very strongly that a man occupying the position I did has no business to have an opinion on anything; it is his business to attend to business. So that the company with which I have been connected has never been directly or indirectly engaged in speculation. My predecessor went to the wall on that speculation business. Whatever we have had to sell we have sold in the option market and protect ourselves, or we sell it in flour. I don't know what the provision of the Agricultural Department might be as to permitting millers to protect themselves, but certainly we would not have any grain that we could not dispose of, and our experience during the war would indicate that the flour buyer, with a change coming on the 15th day of the month, and it taking from 10 to 20 or 30 days to reach the consumer, would demand that the price be made after its arrival.

The CHAIRMAN. There is nothing in the bill, as I understand it, at least, that would prohibit you from engaging in any protective measure that you might want to engage in or that you now engage in.

Mr. LORING. I realize that, but I do not know as to how it would function.

The CHAIRMAN. Why could you not protect yourself just the same after the bill was passed as you do now?

Mr. LORING. I do not know whether the chambers of commerce would function under that bill or not.

Senator MCNARY. You mean the grain exchange?

Mr. LORING. The grain exchange.

Senator NORBECK. That depends on whether the speculator on the board of trade would be as willing to gamble on what the future price would be as they are now.

Mr. LORING. I don't think either you or I, my dear man, could ever prevent gambling. It will always exist.

Senator NORBECK. Then you would have the same opportunity to protect yourself that you have now. Are you not selling to the gambler now?

Mr. LORING. I am selling to Mr. Warner here, who wants to use that as protection against his export market.

Senator NORBECK. I thought you said you were protecting yourself by selling in the futures market. That is selling to the gambler, is it not?

Mr. LORING. Not necessarily. It may be to a man who wants protection, just as I do.

The CHAIRMAN. You don't know. It may be a gambler and it may not.

Mr. LORING. I don't know. I have no means of knowing that.

The CHAIRMAN. Couldn't you do that just the same?

Mr. LORING. I don't think that the exchange would function under this bill.

The CHAIRMAN. If they did, would not that to a great extent, at least, drive the so-called gambler out of the business? That is where he goes to gamble.

Mr. LORING. I don't know that you gentlemen will agree with me, but I am rather of the opinion that the gambler has been an asset rather than a liability.

The CHAIRMAN. That is not the question. I don't think that answers the question.

Mr. LORING. No; I guess it doesn't.

The CHAIRMAN. I have always thought if we could, in our food products, prohibit gambling, we ought to do it, because I think the principle is entirely wrong.

Senator NORBECK. You think the larger purchases on the board of trade are actual transactions, then?

Mr. LORING. Yes. For instance, with us, you take it at this season of the year, we would be undoubtedly short on options. Why? Because of the large volume of wheat we have and our inability to sell flour rapidly enough to meet that situation and at a price at which you can dispose of it and pay your interest, and yet we want that for any industry.

Senator NORBECK. From the testimony before this committee at other long sessions, I have always been led to believe that there is

about a hundred times as much trading in grain as there was actual grain.

Mr. LORING. Like a dollar bill. How many times does a dollar bill pass? It goes around and around and around. I don't know how many times it passes, but a great many. We sell wheat and another man buys it to-day, and we buy it back to-morrow, and the other fellows sell.

Senator JOHNSON. May I ask you a question? This was up before the committee the other day. When you make a big sale of flour, have you already bought that wheat from which to manufacture that flour, or are you buying the same day in the market for protection?

Mr. LORING. We buy the same day in the market. We could not step in the market—let me answer that question quite clearly. It is not an unusual thing for us to sell 100,000 barrels of flour a day.

Senator JOHNSON. Your capacity per day is how much?

Mr. LORING. We can make 30,000 barrels. The trade goes in spells. It is very marked. You see it just as markedly as you would changes in weather. When one concern is selling, as a general proposition they all are selling. There might be 200 or 1,000 cars of wheat on the market, but you would appreciate that no mill of large capacity could step into that market and buy the type of grain it wanted that day without raising that market to a point that would be fatal. Therefore he must of necessity protect himself by some margin. As the grain arrives it is picked up and it is disposed of, and orderly business goes on.

Senator JOHNSON. Do you think this bill will interfere with that business?

Mr. LORING. Yes; undoubtedly.

Senator JOHNSON. It will?

Mr. LORING. Yes, sir.

Senator JOHNSON. By stabilizing or setting the price the 15th day of every month, the ratio price?

Mr. LORING. It would be very much wiser in my judgment, if you are going to have a price, to do it the way you did during the war period, have one price.

Senator JOHNSON. Now, on another subject. Supposing by going in after we enact this bill into law, that you business men will follow that so that it would not be necessary for this commission to function at all, if the farmer's price will equal the things he buys; that is, the price of the things that he sells will equal or compare with the price of the things he buys, then this commission will not function. Is that correct?

Mr. LORING. Oh, yes, sir; but I can not believe, with the conditions in this country, that all commodities will remain stable. It depends upon climatic conditions. Our trouble very largely in the Northwest is, to my mind, due to the fact that we had 12 inches of rain less than normal last year, as I understand it.

Senator JOHNSON. Would not the big business men in every line in this country try then to help out and assist in every possible way, because they know that they can do more business if the farmer gets a square deal to put him up to a level with the people that he has to do business with? What is your idea about that? Do you think that will help to stabilize, even if this concern does not function at all?

Mr. LORING. I think your bill will have a tendency temporarily to stabilize for a time, but I think it will produce other conditions which will become more serious to this country than stabilizing for the moment the unfortunate condition of the farmer.

Senator JOHNSON. Do you mean to say that by not allowing speculation that will be detrimental to the market, like the grain market, for instance?

Mr. LORING. Yes; if you have no means of taking care of your grain you will have to have buyers, and your buyer will be very loath to take a chance. He can not afford to take a risk with the small percentage of profit there is in the business, and I feel very strongly that this country is much more interested in developing its manufacturing industries and world-wide marketing than in anything else.

Senator JOHNSON. Pardon me for asking you that. You are a miller. May I ask you another question?

Mr. LORING. Certainly.

Senator JOHNSON. We have been told that the cost of what the middleman charged between the farmers and the mills is very low.

Mr. LORING. The cost between the middleman——

Senator JOHNSON. Yes; the middleman's profit between the farmer and the mill is very low, but between the miller and the consumer it is high. I mean at the time when the mill gets hold of the grain and manufactures it into flour, and then the baker gets hold of it, that is where the biggest profit is made, by the middlemen. Is that correct?

Mr. LORING. The cost of handling grain is shown by the statistics which I think two or three departments have made to be comparatively a small amount.

Senator JOHNSON. Yes; but then beyond that.

Mr. LORING. Beyond that the statistics go to show from the auditors—I think I am acquainted with auditors in nearly all of the countries, and they tell me that the milling business, world-wide, pays the least percentage of profit on the capital invested of any business they have ever examined, in world-wide conditions. When it passes out of the hands of the miller the profit is apparently very great. It costs us more money to deliver a package of flour in Minneapolis to the grocer than it costs to manufacture. That is the labor cost of manufacture and the overhead. The cost of handling is too great and we are suffering to-day in this country to a very large degree by too many middlemen.

The CHAIRMAN. To whom do you sell flour?

Mr. LORING. Everyone. To everyone who wants it.

The CHAIRMAN. I understand that you are not discriminating. That is not the object of the question. As a general rule, now, who buys your flour? For instance, you said you sold 100,000 barrels in one day.

Mr. LORING. That was spread all over the United States.

The CHAIRMAN. What kind of people?

Mr. LORING. All kinds. Little bakers, big bakers, and retailers.

The CHAIRMAN. And jobbers?

Mr. LORING. Yes, sir.

The CHAIRMAN. Do you sell direct to retailers?

Mr. LORING. Yes, sir; in some cases.

The CHAIRMAN. Is that a general practice?

Mr. LORING. I think it would run very close to a third.

The CHAIRMAN. To the retailer?

Mr. LORING. Yes, sir.

The CHAIRMAN. And two-thirds goes to the wholesaler and jobber?

Mr. LORING. And bakers.

The CHAIRMAN. When you sell to a jobber, to whom does he sell?

Mr. LORING. To the same class of people we do.

The CHAIRMAN. Does he sell then to the wholesaler?

Mr. LORING. No. I doubt if he sells to the wholesaler. He sells to the man who buys 25 or 40 barrels.

The CHAIRMAN. He sells to the retailer and baker?

Mr. LORING. Yes, sir.

The CHAIRMAN. And the wholesaler who buys from you sells to the retailer?

Mr. LORING. Yes, sir.

The CHAIRMAN. Is there any difference between the wholesaler and jobber?

Mr. LORING. A jobber of flour handles nothing but flour, while a wholesaler in our case usually carries other products.

The CHAIRMAN. What I am trying to get at is how many middlemen handle it before it gets down to the baker?

Mr. LORING. I should think, as a general proposition, there would be two or three.

The CHAIRMAN. Name them by their occupations.

Mr. LORING. We would first sell to a jobber or to a wholesaler, and he would sell to a retail grocer, and that would be two, and frequently it is resold, or possibly sold again to a small man, a small baker.

The CHAIRMAN. How about the big consumer?

Mr. LORING. He buys it from the retailer.

The CHAIRMAN. The flour is manufactured by you, then sold to the wholesaler or jobber?

Mr. LORING. Well, it may be sold direct to the retailer.

The CHAIRMAN. Yes; it may be; but as a general proposition it goes to the jobber or wholesaler, and he sells it to the retailer?

Mr. LORING. Yes, sir.

The CHAIRMAN. And the retailer sells to the consumer?

Mr. LORING. Yes, sir.

The CHAIRMAN. Can you tell us the profits of these various dealers as it goes down the line? How much does it add to what the consumer has to pay for the flour?

Mr. LORING. I should say as a general proposition before it gets into the hands of the consumer about a dollar is added.

The CHAIRMAN. A dollar on how much flour?

Mr. LORING. On a barrel.

Senator NORBECK. What percentage is that of your charge?

Mr. LORING. The price of flour varies, but let us call it $6.

Senator NORBECK. You sell it for $6?

Mr. LORING. And the retailer would get about a dollar over that.

Senator NORBECK. The consumer pays a dollar more than that plus the freight?

Mr. LORING. Yes, sir.

Senator NORBECK. In your answers to the chairman's questions regarding the various steps from the miller down to the consumer, you said you sold in some cases direct to the baker?

Mr. LORING. Yes, sir.

Senator NORBECK. Why don't you do that in all instances rather than go through two or three agencies.

Mr. LORING. Because the average of them ask for credit.

Senator NORBECK. You don't extend credit to them?

Mr. LORING. We can not extend the credit that they desire. I think we have something like 5,000 customers in Chicago.

The CHAIRMAN. Do you sell to them in less than carload lots?

Mr. LORING. Anything they want.

The CHAIRMAN. Do you sell at the same rate?

Mr. LORING. We have a differential. That is, we charge for service rendered, so much for storage, so much for delivery.

Senator JOHNSON. I have been told that Pillsbury's Best was selling in Washington cheaper than in Minneapolis. Is that correct?

Mr. LORING. No, indeed. We have here, unfortunately, trouble with a condition which I wish you gentlemen would correct, and that is the chain store which will sell stuff at a less price than we sell it to him, and it raises the very devil with us. Our men say, "I can go over to this chain store and buy flour cheaper than you sell it to me by the carload, and if you don't stop it we will quit."

The CHAIRMAN. What do you do when they say that?

Mr. LORING. We just say, "This is the United States Government, and a man has a right to do with his stuff what he pleases when he buys it," and I agree with him.

The CHAIRMAN. Do you say you won't sell to him?

Mr. LORING. That question came up with us to a very marked degree years ago, and my people were of the belief that we should not sell these people. I took the position that no concern or government can continuously defeat economic problems; economic problems are beyond power of legislation and are beyond the power of control, and that condition would right itself.

Senator MCNARY. Do they handle that at a profit?

Mr. LORING. No, sir; at a loss.

Senator MCNARY. And they make up the loss on some other article?

Mr. LORING. Yes. It is serious with us. We have it right here in Washington, as the Senator speaks of, where we find independent people say, "We will take your flour and throw it out," and it costs a large amount of money to establish business, a very large amount to get the public in the habit of buying your goods. And that is one of the vital things connected with the export business. If you drive the American miller out of the export business it means he is perpetually out of it; he never gets back.

When we get in we hate to go out, even though we have to lose, because the public never comes back, or does not come back readily. But I take this position, that it is economically sound that a man can sell goods for cash for less than credit, and we might just as well meet that situation first as last. It is pretty hard to demonstrate that to the little grocer. Many of the grocery stores in the country are delivering articles on which the average cost of delivery is 18 to 20 cents, the average cost of the article delivered, therefore, with the

credit involved, he has not any profit. I question very much if we should close up our accounts in the city of Chicago we would not find 50 per cent of them who would pay a hundred cents on the dollar. They are not making money, but there are too many of them. In my own town, in the district where I previously lived—I lived on a farm and know something about the vicissitudes of farming, and unfortunately I can not get it into my income statement—on the street on which I lived, which has been taken over by stores there are 16 or 18 grocery stores within three blocks. The result of that is that the overhead is so great per store and the amount purchased so little that even at a hundred per cent they can't make money, and they ought to go out of business. I contend it is logical that where somebody starts in that neighborhood and gives these people an opportunity to buy goods at a fair price for cash he is doing an economic right, and I am with him, and if we are driven out, God help us, we will go out.

I think it would be a serious mistake to kill the manufacturing business of the country; but if it is for the welfare of the United States to kill the milling business, I think that is the position we ought to take, if it is for the welfare of the community as a whole. I don't think that you gentlemen or any man can sit down and say that my industry should be protected, though we have done that for many years in this country. It is a question of the best for the whole. It is not a question of whether the export business has got to go out, or whether the millers have got to go out; it is a question of what is the best thing that will happen to the people as a whole, but that is not going to be obtained by killing manufacturing in any line of business.

Now, I know you gentlemen would all shy at the word "bounty," but let me tell you something. You have your labor protected. In the case of flour suppose that you export 50,000,000 bushels of grain to a country that is already full of grain. It will certainly react in time. You export 50,000,000 bushels of grain when you should not export but 37,000,000 bushels of grain. Why, the miller can take that 50,000,000 bushels and he can, if you will help him finance these bills, or if you don't help him finance the bills he will take and export that 37,000,000 bushels of grain in the form of flour. If you help him meet that loss that is not as great as the loss on wheat would be, help him take care of the bills, and the remaining portion will remain in this country for the benefit of the farmer in feed, which he badly needs.

The CHAIRMAN. You mean the difference between the 50,000,000 and the 37,000,000 is made up of by-products?

Mr. LORING. Yes. They are badly needed in this country. One of the greatest difficulties we have had has been that feed has been too high. The farmers complain bitterly of the price of feed being too high. It is a matter of absolute fact that the miller would like to see it lower. The greatest gamble the miller has is in his by-products, and the lower it is the better off he is.

The CHAIRMAN. How do you account for those by-products being so high?

Mr. LORING. Because there is an insufficient quantity manufactured.

The CHAIRMAN. Then, on the by-products the miller must make a bigger profit than he does on his flour?

Mr. LORING. He makes none on his by-products.

The CHAIRMAN. Then still you haven't answered the question. If he makes none and he sells at cost or at a loss, how do you account for the high price the farmer has to pay when he gets it?

Mr. LORING. Because of the demand for it.

The CHAIRMAN. The competition among them?

Mr. LORING. Yes, sir.

The CHAIRMAN. Then between the time you sell it without profit and the time he buys it somebody, by reason of that competition, makes a profit that is unreasonable?

Mr. LORING. I would have to explain to you somewhat the milling business, and some of our departments have claimed to the Federal Trade Commission, at least——

Senator MCNARY. What are the by-products you have in mind?

Mr. LORING. Bran, shorts, red top, and low grades.

The milling business is conducted on what may be a very improper or illogical method, and we have had the Federal Trade Commission and I think the Census Bureau, and at the present time the Income Tax Bureau and a few others, up in our office trying to educate us, but unfortunately we have not seen the light as yet, because I can not for the life of me see why when we buy a bushel of wheat we should not get back the money on that bushel of wheat. We are not particularly interested in what we get our money out of. What does that bushel of wheat return to us in cash is what interests us, and the position is just this: The miller (as far as I know, probably nine hundred and ninety-nine out of every thousand) makes his calculations on this basis.

Senator JOHNSON. May I ask you a question?

Mr. LORING. Certainly.

Senator JOHNSON. Supposing in this bill the farmers of the Northwest will get from 45 to 50 cents per bushel more for a bushel of wheat; how much will that increase the price on a hundred pounds of bran, say, or shorts?

Mr. LORING. My dear man, it would depend upon whether any of us are living the day we have a surplus of bran. If we had the bran, if there is a surplus of it, it will sell at a low price.

Senator JOHNSON. The reason I ask you is to try to get your opinion about it. Butterfat no doubt will go up high if we have to pay a third more for these by-products from your mill in order to manufacture the butterfat. The reason I asked you was to get your idea about it, because according to your statement when you first started out, and also the statements of the witnesses ahead of you, if there is a tendency under the bill to make the consumer pay more it will be the natural result under the McNary bill to raise, raise, raise, and there never will be a level. What is your opinion on that?

Mr. LORING. As I tell you, the price of it will be increased with the demand. If the tendency of the bill was to shut down our mills your feed prices would advance. How much they would advance would depend upon how many mills were closed down.

Senator LADD. What is the wholesale price of bran?

Mr. LORING. When I left home it was about $25, Senator.

Senator LADD. And the retail price?

Mr. LORING. About $4 more. That is, I think, the examination made during the war showed that was about the margin.

Senator LADD. And at the end of the war what was it?

Mr. LORING. The price jumped up very rapidly. The committee put the price down.

Senator LADD. Put it down to $27.50?

Mr. LORING. Yes, sir.

Senator LADD. What is it now?

Mr. LORING. About $25. The millers are exceedingly anxious to put it lower, and are exceedingly anxious to have it kept low. If there was any way you could get in and get the millers to put out bran at $10, I would be with you, because there is so much risk.

Senator NORBECK. Maybe you explained this before, but I did not understand it. The milling capacity in this country, you said, would grind in four months everything we consume and all the flour we export.

Mr. LORING. Yes sir. That is, they could do so. They never have done it.

Senator LADD. That would be 24 hours a day?

Mr. LORING. Oh, surely.

Senator NORBECK. That would be the maximum obtainable, would it?

Mr. LORING. Yes.

Senator NORBECK. To what extent does that include wheat grown outside of our borders?

Mr. LORING. I could not answer. Some of these other gentlemen could answer that.

Senator NORBECK. The grinding for the domestic supply here is the largest business.

Mr. LORING. Oh, yes.

Senator NORBECK. You export some twenty per cent?

Mr. LORING. Oh, no; not our concern.

Senator NORBECK. I mean the milling industry as a whole.

Mr. LORING. Yes: we could use 20 per cent foreign grain.

Senator NORBECK. I mean of flour exported, there would be less than 20 per cent?

Mr. LORING. It would be comparatively a small amount.

Senator NORBECK. Now, on the effect of this bill, Mr. Loring, you have thrown a good deal of light on many questions here. Do I understand that one of your contentions is that under this McNary bill, even with possible modifications, it would have a very adverse effect on the milling business, owing to the fact that you would have to pay a higher price for grain, and that would shut you out of the export market?

Mr. LORING. No, my dear man, I don't care what the grain price is, because we can pass that on to the consumer.

Senator NORBECK. Can you in export?

Mr. LORING. No. My thought is that as a general proposition it is very dangerous for this country to produce a condition by which we build a tariff wall entirely around it, no matter whether it is the milling business, cotton goods, or anything else, because you are bound to have reaction from it, and we, I think, have not reached the point where we should be simply a nation inside of ourselves. We can not live that way.

Senator NORBECK. And you feel that is what would happen under such a plan as this?

Mr. LORING. Yes, sir.

Senator NORBECK. Now, one other question. Realizing the disadvantages that the farmer works under, have you some other suggestion as to how this thing could be equalized a little better without producing such a condition as you speak of?

Mr. LORING. I am very much opposed to any kind of a bonus if we can avoid it, but if it is necessary to get rid of our surplus products, it certainly should be done in the form of manufactured articles, rather than in the form of raw material, whether it be the milling industry, cotton or wool, or anything else, because you can not afford, in my humble judgment, to go to work and kill our manufacturing industry in this country.

Senator NORBECK. When the raw material goes out the whole thing goes out, including the by-products, on the basis of your surplus?

Mr. LORING. Yes; it does. As I say, I think the natural channels through which grain or any other commodity will move will take care of it through natural movement, and if word goes out that the United States Government has gone on record as intending to sell all of its commodities in competition with the other nations, that the Government itself is going to do it, you would get reaction from it just as sure as we are sitting here.

Senator NORBECK. Even though we do not increase our surplus?

Mr. LORING. Yes, sir.

Senator NORBECK. I am frank to say that I believe this will result in increased production unless it is taken care of in some way.

Senator MCNARY. You were going to tell us the basis on which you figured the prices of the various products of wheat?

Mr. LORING. The process of figuring flour in nine hundred and ninety-nine cases out of a thousand is something like this. A thousand pounds of wheat produces certain things. So much is called patent flour, so much clear flour, so much second clear flour, so much Red Top, so much bran, so much shorts. That is five articles. It is impossible, as a general proposition, to sell all those things concurrently. To-day we have a market for patent; to-morrow we have a market for second clear; the next day we have a market for some other thing. They can not be sold on the market on the same day, so that you take so many pounds of bran in your thousand and you multiply that by what you think the market will take on that, and you treat your shorts in the same way, and your second clear, and so on with the five articles, and having arrived at the amount of money those will produce, you deduct that from the total cost of the wheat plus the freight charge and divide that by the remaining portion of your wheat and fix the price on that commodity, which is the basic commodity of all your milling.

Senator MCNARY. Let me ask you a question. I understood you to say that you protect yourself now by resorting to hedging?

Mr. LORING. Yes, sir.

Senator MCNARY. And you believe the enactment of this bill would destroy your opportunity to hedge?

Mr. LORING. When I left home we had no hedges in America. We had only one hedge, and that was on wheat that was bought in Canada.

Senator MCNARY. You believe the enactment of such a measure would destroy the operation of the grain exchanges?

Mr. LORING. Yes, sir. That is not so serious, I think, the destruction of my business——

Senator MCNARY. I want to get this information, if I can. Is it possible for you to go out and hedge through any other agency than the grain exchange?

Mr. LORING. That is where we do our hedging.

Senator MCNARY. I mean if the grain exchanges are destroyed, their doors are closed, is there any other agency through which you could hedge?

Mr. LORING. No, sir; except the flour, and flour, I think, under this bill would be sold on the basis of price days arrive and not the price days sold.

The CHAIRMAN. If you are through, I want to ask you one more question. You stated at the beginning of your testimony that you are interested, like we are, in trying to find the solution of a difficult problem which you, like we, admit is before us.

Mr. LORING. There is no question about that.

The CHAIRMAN. You have confined your testimony entirely to objections to what has been proposed. On behalf of the committee I want to ask you (because I am assuming that you are just as sincere as we are) if we do not reach in the bills before us the right solution, if there is anything that we can do that will solve it or help to solve it, what should it be?

Mr. LORING. I think you gentlemen have got one of the hardest problems that ever was. It is a problem that has occurred continually.

The CHAIRMAN. Is it a problem that can be solved? If there is no way to solve it, we want to know that. If we haven't anything before us that will solve it, and there is something that will solve it, give us your idea as to what we ought to do. Tell us what will better what we all admit is the unfortunate condition of the famer?

Mr. LORING. I think the condition of the farmer to-day is most unfortunate, and to the extent that it is possible for Congress to relieve him it should be done. I think, too, in the section in which it is intended to apply the Norbeck bill will be a good thing. I think the War Finance Corporation saved the country from going into bankruptcy some time ago by its assistance and cooperation in sustaining the banks. I don't think that any law can regulate economic problems.

The CHAIRMAN. To be frank, now, and get right down to the point, is it your judgment that we are faced with an impossibility? I am asking this question now in no critical sense. If we are face to face with an impossible proposition, I want to know it. Men like you that have spent their lives in the manufacture of wheat have opinions on it, and especially when they show themselves to be very sincere, as I think you have, that ought to be of considerable value to us as legislators. Are we confronted with an impossible proposition?

Let me say, before you answer that, that the Norbeck bill, which you speak of and which we have already approved, does not pretend to solve this problem. It is not offered by Senator Norbeck as a solution of the problem. It is an effort to relieve a situation more or less local in its nature, because we felt that that section was suffering

a little worse than the general class of farmers. But that is all that it was intended to do. It is not an answer to the question.

On the other hand, while I think the War Finance Corporation has done a good deal of good, it seems to me nothing that they have offered is anything more than the loaning of more money, the adding of interest, increasing of indebtedness, that I think all students of the situation now admit is not a solution. The farmer, I think everyone will admit, is already too much in debt, and it would really be an injury to him to loan him more money. It will only add to the amount that he must pay by way of interest. So I believe it is generally conceded that that will not remedy the situation.

Mr. LORING. No. The farmer has had too much credit. He is suffering from too much credit the same as many business men are suffering from too much credit. If they had had less it would have been better, and they would be better off now.

The CHAIRMAN. Then what are we going to do?

Mr. LORING. I don't think you can regulate by law economic conditions. I don't think it can be done.

The CHAIRMAN. Now, we have done what you have suggested; or this committee, at least, has voted out the Norbeck bill. In addition to giving additional power to the War Finance Corporation, what else are we going to do?

Mr. LORING. I don't think we ought to criticize the farmer, because we are all of us human.

The CHAIRMAN. Criticize him if he is entitled to it. Criticism that is constructive is beneficial to the man criticized.

Mr. LORING. I don't want anything I say to be construed as meaning that I have anything but the deepest sympathy for the farmers, because I have, but I fear that this condition that the farmer in the Northwest is suffering from is due to the natural inflation that took place during the war, in fact, and too much opportunity to get money, too much capital.

Now, if I may be pardoned, in Montana, the record I think shows—and Senator Ladd may be able to give all those records very much more accurately than I could—that only about 23 per cent of the Montana farmers were farmers per se. They were barbers and merchants and——

The CHAIRMAN. I think it is fair to say that, basing it on the evidence before the committee (and I have been hearing it for three or four years, until it pretty nearly broke me down) does not show that. There have just been thousands and thousands of farmers that are striving to do the best they can, living on their farms with their wives and children.

Mr. LORING. You are speaking of North and South Dakota?

The CHAIRMAN. The country generally.

Mr. LORING. I am speaking now of Montana.

The CHAIRMAN. I don't think that is true of Montana, that 23 per cent are living in town and just running in and out to their farms.

Mr. LORING. I did not say that. I think they were not fitted for farming. Only about 23 per cent of them had been farming prior to their going into that country.

Senator JOHNSON. If they had been fitted to raise grain they would have raised grain likewise raised potatoes in 1922. when

12,000,000 bushels of potatoes were not dug. As you say, if there is a lazy farmer among the farmers, that is not willing to work, that would help out the other fellow, wouldn't it?

Mr. LORING. I have seen it where one farmer on one side of the road is prosperous and the farmer on the other side is not.

Senator JOHNSON. The one that works hard and produces more is going to the dogs quicker than the fellow that does not produce anything.

Mr. LORING. I would rather have a few assets than none.

Senator JOHNSON. Have you studied the Norris-Sinclair bill?

Mr. LORING. No: I have not.

Senator LADD. That is what I was anxious to know—whether your strictures were aimed at both bills. They are just aimed at the McNary bill?

Mr. LORING. I have not seen the other bill.

Senator LADD. Do you believe that organization and cooperation among the farmers of the country would help?

Mr. LORING. Cooperation where properly conducted is very desirable. Unfortunately, I think, due to a lack of experience to a very large degree, cooperation in this country has not been as successful as cooperation in Europe. Cooperation in Europe has in many cases been wonderfully successful. I assume that is due to the fact that those countries have been educated by experience in years gone by and they have made cooperation a wonderful success, and I have no doubt we would find the same thing true with our people if we had the opportunity.

Senator LADD. Do you suppose it is because they have not had organized opposition to prevent the farmer from organizing?

Mr. LORING. You don't think there is any organized opposition against the farmer, do you?

Senator LADD. Yes.

Mr. LORING. Oh, no. What interest could have anything but the best interest in the farmer?

Senator LADD. If that is true, then why did the Chamber of Commerce of Minneapolis prohibit any cooperative organization from having membership in the chamber.

Mr. LORING. They didn't, Senator. I am an ex-president of the chamber of commerce. My understanding of it is that any organization, no matter where it is, which is financially responsible and will do that which we are asked to do as members of an organization, can join the organization.

Senator LADD. That is very different. What they are asked to do is one thing and what they have a right to do under cooperative organization is quite a different thing.

Mr. LORING. Don't you think, Senator, it is quite proper that the man that handles your property should give a guaranty that it is handled honestly?

Senator LADD. Absolutely.

Mr. LORING. There is no question about that. That is all the chamber of commerce asks.

Senator LADD. But the cooperatives were handling theirs honestly.

Mr. LORING. That is all they asked, that you undertake to handle it honestly.

Senator LADD. Then the finding of the Federal Trade Commission is wrong?

Mr. LORING. I am not going into that question. Let Mr. McHugh answer that, if you want to go into it.

If you are through, I thank you for your consideration.

The CHAIRMAN. We will take a recess until 2 o'clock.

(The committee then recessed until 2 o'clock.)

AFTER RECESS.

The CHAIRMAN. The committee will come to order. Mr. Gates is the next witness.

STATEMENT OF MR. L. F. GATES, CHICAGO, ILL.

The CHAIRMAN. Give your name and business.

Mr. GATES. L. W. Gates, grain commission merchant, Chicago. I am here representing the grain exchange legislative committee.

Mr. Chairman, our members have been rather reluctant to think that a bill of this character would ever have serious consideration by this committee, and probably it would not now but for the general sympathy that is felt for the farmer in his depressed condition at the present time. We share in that feeling of sympathy and think that anything that can be done that will hasten the natural readjustment may well be done. But genuine sympathy suggests a sound plan of relief that will help along the line of natural readjustment rather than to accentuate the trouble that we have at the present time.

In speaking about this bill, although it contains numerous agricultural products, I speak of it as if it were a wheat bill, because the supposed exportable surplus of wheat is the thing that gave rise to it very largely. We ought not to consider a bill that is as unsound as this even if it has plausible arguments in its favor, because it will hurt more than it will help; it will aggravate the trouble, rather than relieve it. We should try, if we can, to discover what the causes are and to remove them if possible. The cause seems to be the world overproduction of wheat and the underconsumption. We had a similar situation after the Civil War. High prices during that period led to such an extension of the wheat belts in the West that we had an overproduction that lasted for 30 years, with a continuous decline in price. The situation at the present time is similar to that, except that it is world-wide and not confined simply to the United States. If we wish to relieve that situation we should relieve it along the line of either decreasing production or increasing consumption, and there are several ways open to us to stimulate on both sides.

To promote diversification under such a bill as Senator Norbeck has introduced under present conditions will help to relieve the situation.

To stop reclamation projects, opening up new agricultural lands, until we have an adjustment, is certainly a wise thing to do, because the area now under cultivation in the United States produces far more than we need or can profitably produce under present world conditions. So there should be no opening up of new agricultural lands.

And, further, we must consider the advisability of adjusting the tariff, because the prices in this country, the adjusted prices, will always be the world's level plus whatever tariff is determined upon as necessary to shut out products of countries that can produce more cheaply than we.

On the side of increased consumption we may well encourage consumption in the United States, in so far as that may be done, possibly by some such voluntary organization as we had in war time for decreasing consumption. We can also help reestablish Europe to a certain extent; and it is my understanding that a commission over there is now busy to see what we can do along that line, or what we would be justified in doing on the other side, what you have shown a disposition to do in connection with the Norbeck bill on the side of production; that is, you can help consumption by giving away, if necessary, such of the exportable surplus as is a burden, to those who would not otherwise be wheat consumers in Europe.

The bill before the committee at this time; that is, Senate bill 2012 (the McNary-Haugen bill) does not fit this program at either end, because by holding out the hope of a higher price to the producer you naturally induce him to put in a larger acreage, and by raising the price to the domestic consumer there is a tendency to decrease his consumption. In such a situation as this, if the bill were thoroughly understood, if it were not so intricate and difficult to understand, the representatives of the farmers themselves, as a long-time proposition, should be down here in opposition to it. Those who are economists oppose this sort of measure. It is exceedingly embarrassing for people who are purely in the distributing end of this business to appear in opposition to it, because we all realize that the future welfare of agriculture in this country, the permanent betterment of the condition of agriculture, is a far more weighty matter than whatever may happen to people who are in the distributing line, and the welfare of the people of the whole country is even greater than the welfare of those in agriculture alone.

This bill is based on the theory of an exportable surplus. No such surplus exists so far as the territory east of the Rocky Mountains is concerned. Taking the figures of the Department of Agriculture and bringing them down to date we find this situation to exist:

On the 1st of July we had a carry-over east of the Rocky Mountains of 91,000,000; west of the Rocky Mountains, 10,000,000 bushels; the 1923 crop production was 645,000,000 bushels east of the Rockies and 137,000,000 west of the Rockies. Domestic requirements for food, seed, and feed, on the basis of last year's consumption, east of the Rockies, would take care of 583,000,000 and west of the Rockies 51,000,000 bushels. Everyone concedes that there is a material excess feeding this year, which Mr. Nat C. Murray, former chief of the Crop Reporting Bureau, estimates as 28,000,000 east of the Rockies and 7,000,000 west, making a total of domestic requirements east of the Rockies of 611,000,000 bushels and west of the Rockies of 58,000,000 bushels.

Up to the 1st of January there had been exported from the territory east of the Rockies 63,500,000 bushels and from the territory west of the Rocky Mountains 35,500,000 bushels.

That means that there is every prospect of a reserve for carry-over and for export of 61,000,000 bushels east of the Rocky Mountains, plus whatever we will import from Canada, as compared with 91,000,000 bushels last year, but for the importations from Canada.

In other words, our surplus or carry-over into the new crop would be 30,000,000 bushels less than last year, but we have imported 15,500,000 bushels, so that we are on a basis of 77,000,000 as compared with 91,000,000 bushels east of the Rocky Mountains.

West of the Rockies there is admittedly a surplus for export amounting to about 40,000,000 bushels, or between forty and forty-five million bushels, and still a carry-over of as large a quantity as was carried over last year. That is further removed from the territory east of the Rocky Mountains than if it were in Canada. The freight rate to Missouri River points from those Pacific Coast States amounts to about 50 cents a bushel, which shuts it out of competition as against Canadian wheat, which has a barrier of 30 cents a bushel against it.

This bill was first mentioned, as far as I know, by the Secretary of Agriculture. In his report on "The wheat situation" he mentions some such plan as this. It has not been mentioned, so far as I can learn, by the President in any plan of relief he has suggested. It was born in the Agricultural Department, but from what I can learn of the hearings it has not any very proud father in the Secretary of Agriculture. At least he has not been willing to indorse it in any unqualified way. I have found that it is boosted by some sections of the agricultural press, but I have yet failed to see it printed anywhere except in the Government print.

The devices suggested by this bill are ingenuous; the arguments in favor of it are attractive; the promises that it makes to the farmer are alluring. But this bill, as one reads it, leads to the feeling that it is practically enforced communism upon a class of our citizens who, because it has been an individualistic class, has been the principal backbone of our country. In fact this forces into a national wheat pool every wheat producer. It is not a voluntary pool; it is compulsory. And to be very sure that every wheat producer is going to be stuck on it, the proposition is to pay him part in money and part in scrip. This seems to us to be paternalism run wild. It is a tax on the consumer for the supposed benefit of the producer, but the return to the producer is not going to be in proportion to the tax on the consumer. This is an attempt to repeal temporarily the law of supply and demand and to replace it with a price-fixing scheme. The fact that the price changes twelve times a year instead of being one established price for the year does not lessen the difficulties incident to the bill. This is an attempt to artifically raise prices temporarily regardless of the knowledge that the ultimate readjustment will have to be along natural lines.

To carry out this bill will require logically a licensing system, not only for all distributers, but for producers as well. It encourages the most widespread dishonesty and evasion. It provides for administration by men who for the management of the affairs of such an immense corporation will receive very modest compensation, and consequently it is likely to invite administration by incompetents, with very natural attendant waste and extravagance. It will delay

for 10 years the beginning of a natural readjustment which will have to come in time, and if you are going to treat all classes alike it means a basis for extending Government control to all industry—in other words, the nationalization of all business.

There are a good many absurdities in the bill, such, for instance, as the proposed determining in December of one year what the exportable surplus will be for the following year, when the crop is not even grown, and we haven't any idea as to how much will be grown. There is the notion that whenever the price goes below a ratio basis it will be the duty of the export corporation to raise that price, but there is no such provision for lowering the price. That may be done. There is permission given to do it, but there is no assurance that it will be done. If the ratio price is above the world level plus the tariff, then we shall be constantly subjected to importation. If it is below the level, then if it works out successfully smuggling will be very much encouraged. It is my belief that if that thing operates for 10 years, at the end of that time it will be necessary to make it perpetual, because the corporation will be, by that time, so loaded with mills and elevators and other property which could not be disposed of that it will be necessary to carry it on indefinitely, to the great joy of friends of Russia and the I. W. W., and similar groups.

This committee has said a good deal to us in the past about speculation. It has said a good deal about gambling. It seems to me that for this committee to speculate with the future of agriculture in the United States upon this kind of a tip is the worst form of gambling that could be indulged in.

The program that I have suggested may not sound good. The readjustment will have to be in the end along permanent lines. It can not be otherwise, because the law of supply and demand may be set aside for a time, but it is bound to eventually prevail, and no plan which does not follow and help that natural readjustment should ever be adopted, because you simply postpone the time when the natural readjustment can come.

That is all I wish to say, gentlemen.

Senator McNARY. What effect would the operation of this bill have upon the grain exchange of Chicago?

Mr. GATES. Senator, I made the statement before you came in that the effect that a bill of this kind might have on the grain trade should not be a main consideration here. The interests of agriculture and the future welfare of agriculture are so much more important than the interests of the distributing end of it that that should not be a factor in the discussion.

Senator McNARY. It should not be, but, then, naturally, in the light of human perfection, it is. You are a member of the exchange?

Mr. GATES. Yes, sir.

Senator NORBECK. President of the Chicago Grain Exchange?

Mr. GATES. Yes, sir.

Senator McNARY. Don't you take that element into consideration in your study of this bill?

Mr. GATES. Certainly.

Senator McNARY. What effect, then, in your opinion, would it have upon the operations of the grain exchange?

Mr. GATES. I think it would be absolutely impossible.

The CHAIRMAN. What would be impossible?

Mr. GATES. To continue to operate the exchanges. The exchange can not operate unless you have natural conditions prevailing which that exchange can reflect.

Senator GOODING. This will take out the element of risk there, however, will it not, and kind of stabilize the price, and the gambling feature would be eliminated; that makes an interest in the exchange. Is not that about it?

Mr. GATES. No; it would simply transfer the necessity of gambling from one class to another. It would compel everyone who handled grain to become a gambler.

Senator GOODING. He would know what price he would have to pay for it, and that would be fixed, would it not, in advance, so that there would not be any gambling.

Mr. GATES. The price to the consumer would be fixed, yes; but the price to the producer would not be fixed.

Senator GOODING. Well, we think it would. At least, speaking for myself, I think it would.

Mr. GATES. Speaking, Senator, about stabilization, the price of wheat is stabilized now. If you have watched the market for the past six months you will find that there has not been a fluctuation of 10 cents a bushel in the price of contract wheat in six months. But the level at which it is stabilized does not suit anybody. But it is a level.

Senator GOODING. That is the point that we are trying to reach.

Mr. GATES. But it is a level so high that we are inviting importation from Canada now. That is, it is so much above the world level that the Canadian people can send their wheat to this country and pay the duty themselves.

Senator GOODING. How have you been able to do that? That condition never existed before in this country that I remember of.

Mr. GATES. Because of the support for wheat has been sufficient to raise it to the world level.

Senator GOODING. Has there been an organized effort to help keep it up?

Mr. GATES. I don't know of any such move. Senator Ladd has introduced a resolution on the theory that it has been kept below the price that the law of supply and demand would fix.

Senator GOODING. I have felt that we have been getting a little more benefit, probably, out of the tariff than some parts of the country have credited to the tariff. I thought possibly there might be an organized effort to keep it up, because of the apparent depressed condition of the wheat grower. What do you know about that?

Mr. GATES. I have done my share, I think, Senator, to try to help raise that price, but there is a limit to the price that you can raise it to.

Senator GOODING. I understand there is a limit. You are playing with a dangerous condition, to my mind, and the world market may break at any time, and it may be too big a load for you to carry. I can understand that.

Mr. GATES. Yes. We can only get it up as high as the world level plus the tariff.

Senator GOODING. I understand. And you have had it above that part of the time.

Mr. GATES. We have, and that has resulted in importations during November, which were in excess of all the exports of wheat from this country during November.

Senator LADD. Imports?

Mr. GATES. Yes, sir. We imported more Canadian wheat than we exported American wheat during November, according to the figures of the Department of Commerce.

Senator GOODING. I am very much interested in that. In looking over the imports from Canada I found before the war it was not much over a million bushels, probably up to two or three millions of wheat and flour in its equivalent in bushels of wheat. I find it runs from 20,000,000 to as high as 38,000,000 bushels now. I want to ask, is not that importation brought about largely from the development of new territory up there that is bringing into the market a very high quality of wheat, and is not that one reason why the importation from Canada is greater than it was a few years ago, before that country was developed so much out there? Don't you think that is a factor?

Mr. GATES. That is the thing that has made a market for it here, but the price inducement is the thing that sent it over the border.

Senator GOODING. How about the quality? That helps it out, does it not?

Mr. GATES. Yes, sir.

Senator GOODING. And with the freight rate, that is another thing, too.

Mr. GATES. There are many points in Canada, or at least some points, that have common freight rates to Port Arthur and to Minneapolis and Duluth.

Senator GOODING. Those things are all in favor of the Canadian producer?

Mr. GATES. I never have studied the amount of the Winnepeg price that the farmer gets.

Senator GOODING. I have been trying to solve the question of the imports from Canada, with 30 per cent duty, and of course the farmer does not always get the benefit of it, but he gets some benefit of it. I would rather think it would be a dangerous thing to the American wheat grower to take the tariff off of wheat. I think it would overflow from Canada, that high-grade wheat, clear over possibly into the milling centers of Nebraska and Kansas, as a blending and mixing proposition. Is there not some danger of it if you take the tariff off?

Mr. GATES. Yes.

Senator GOODING. So it is very important at the present time to the wheat grower?

Mr. GATES. Mr. Loring this morning stated one reason for importations, and that is the fact that in the Northwest there has not been any surplus of the strong wheats grown. The wheat that is grown on those new lands in western Canada is very strong.

Senator GOODING. We have some in Idaho and North Dakota and South Dakota and in that territory, and it gets some benefit out of the tariff; but northern Idaho, Washington, and Oregon wheat that moves west and comes into direct competition with the Canadian wheat through the Orient and to Europe I don't think has the benefit of the tariff at all.

Mr. GATES. I think that development of the Pacific Northwest under present conditions is just a little unfortunate, as far as wheat is concerned. They have increased their production of wheat very materially, so that a man like Mr. Jewett, that is handling much of this wheat, has a difficult problem on his hands. There is no question about it. That is one reason why I suggested that if you should decide to relieve the present situation by a gift of wheat to people who otherwise would not be using wheat in the world anywhere, it ought to come out of the Pacific Northwest, because we haven't any exportable surplus east of the Rockies.

Senator GOODING. We have only only a few States that produce export wheat anyhow in the country. I think it is eight or nine that have an exportable surplus. The rest of them do not produce enough for their own consumption.

Mr. GATES. Yes.

Senator GOODING. You spoke about the law of supply and demand, that these things must be governed by the law of supply and demand, and you said that the country will get back to normalcy in time and it should be permitted to readjust itself. Is it not a fact that outside of the farmer nobody in this country to-day is controlled by the law of supply and demand, that through organization labor has been able to keep up the standard of living and the price of labor? I remember in 1920 we had something like 5,000,000 men out of employment, but we did not readjust wages. In fact we have increased them more or less. That has been done by organization. The law of supply and demand had no effect on the labor market of the country at all. And that is true with your steel plants and every other industry.

Every great industry in America is overdeveloped. There is not any exception to the rule. If our steel plants operated full time and full force they could manufacture all our requirements of steel in six months. They keep down the supply. They keep a balanced condition between supply and demand and in that way keep up the price, and they are able to pass on the cost of production to the people who buy steel. The farmer can not do that. He is in an impossible condition. He can not get on at all. There would not be a railroad in operation to-day (they would all be in the hands of receivers) if they could not pass on the increased cost of operation to the people. It is fortunate that they can. Twenty-five per cent of all your farmers in this country, according to the survey of the Agricultural Department, are in bankruptcy. This country can not go on in that condition. We have to have the help of the people of this country to help work out in some way that situation. Let us not discuss the law of supply and demand, because the farmer is the only man that is affected by it in this country.

Mr. GATES. You said that the other people make their adjustment by cutting down the supply, didn't you?

Senator GOODING. Yes. The farmer can not do that.

Mr. GATES. The farmer is doing that. The farmer has cut his winter-wheat acreage 12½ per cent this last time. The spring-wheat farmer is planning to materially cut his acreage.

Senator GOODING. Next year. Let me answer that question. Next year, if he gets a decent price, they will all be back and the other fellow will be back; but I am going to say to you I don't believe

the problems of agriculture can ever be worked out without organization of the farmer when we realize the forces that he has to meet, such men as you are—and I don't say that in any disrespectful way, but I mean men of your intelligence and who have an opportunity for a better understanding of these things than the farmer has out there on the farm. You disorganize him all the time. I don't blame you for being here opposed to the McNary bill or any other bill that is going to upset your business. It is your life's business and you like it, and likely have done well in it and want to continue it. I have no quarrel with you at all. But the farmer has got to have some help or the whole country is going to be tipped over. He can not go on and exchange his products with a dollar that is only worth 70 cents as compared with other products. I don't think this bill would destroy the wheat exchanges altogether. It might cut in on the wheat exchanges some.

Mr. GATES. I did not make the point that it would destroy them.

Senator GOODING. The export business can continue, surely. I think I would like to see you continue in the export business and help it along, help make this bill a success.

Have you addressed yourself to the chairman's bill—the Norris-Sinclair bill?

Mr. GATES. No.

Senator GOODING. Well, you don't want that, do you? Have you studied it?

Mr. GATES. I have read it over.

Senator MCNARY. Mr. Gates, do you think the members of the Chicago Board of Trade and members of the exchange feel the same as you do about these various situations?

Mr. GATES. Those who have studied it; yes.

Senator MCNARY. Then generally the opinion of the members of the board and the exchange is in opposition to the bill?

Mr. GATES. Not simply the members of the Chicago Exchange. I am representing the exchange legislative committee. That embraces all of the exchanges where grain is traded in.

Senator MCNARY. Minneapolis and Kansas City?

Mr. GATES. Minneapolis and Duluth.

Senator MCNARY. Omaha and Chicago?

Mr. GATES. Omaha, Kansas City, and Chicago.

Senator MCNARY. If we have this in the record, I don't want to repeat it; but will you say briefly, if you have not already, the particular respects in which it would destroy the exchange or in what way it would affect the exchange? Do you say it would destroy and close up the exchange?

Mr. GATES. No; I don't say that.

Senator MCNARY. How far would it go?

Mr. GATES. I said that it would be impossible to conduct future trading if this bill became a law.

Senator MCNARY. Then you would direct it only to future trading?

Mr. GATES. I direct it to future trading. The rest of the trade could make adjustment to the new situation, but having no protection in future trading, the margin between the producer and the consumer would be very materially widened, which would mean that while the consumer would have to pay very much more, there would

not nearly as much of it go back to the producer, and we could not afford to do that without having an adequate margin between the price to-day and what it might be next month.

Senator McNARY. Is that based upon the theory that this bill would prevent hedging?

Mr. GATES. Yes; absolutely.

Senator McNARY. If the price is made comparable to the all-commodities price as ascertained by the Secretary of Commerce, based upon a study of 404 commodities, would there be the fluctuation in those commodities that there would be in wheat, even though there was no hedging?

Mr. GATES. Well, I think that this bill should have pointed out whether or not there would be, by a statement as to what those prices would be under pre-war conditions, what the ratio would be. It says that these prices have already been obtained by the Department of Agriculture on 10 years pre-war. That means that the basic commodity prices have been determined, as far as I understand.

Senator McNARY. In the bill itself it refers to a document issued after a study on that subject by the Department of Labor. That is based on a study over ten years, from 1905 to 1914, of 404 commodities. That is just as accurate a basis as you can write into law. It is referring to the existing situation, and I think that in itself would tend to stabilize the price, to have an exchangable wheat value, and your hedge would not be as important as it is now, and you could get along without it.

Mr. GATES. Well, you would have to get along without it.

Senator McNARY. And you could.

Mr. GATES. I say that the fact that you could get along without it would mean that the producer would not get as large a proportion of the consumer's dollar as he gets now. The consumer would have his price very much raised.

The CHAIRMAN. Senator McNary's question assumes that based upon that pre-war ratio the price would be practically stabilized, so that hedging would not be indulged in, and because it is not necessary. Now, you are basing your answer not on the fact that it would not be necessary to hedge, but that it would be impossible to hedge. He assumes that these prices would not vary, and you assume they would. Your answer is on one assumption, and his question is on another.

Mr. GATES. You still suggest that there should not be any action by the Government until there has been a decline of 10 per cent below the ratio price; then they may readjust their estimates and readjust their buying so as to bring it back?

The CHAIRMAN. Yes. As Senator McNary says, using those 404 articles, they do not change. They are based on history. They will be the same ten years from now as they are now. The only thing that might change would be some of the articles at the present time, but you would get the same ratio.

Mr. GATES. They are changing all the time.

The CHAIRMAN. They would not change from week to week or from month to month, would they, those staple articles?

Mr. GATES. They probably would not change much. There probably would not be any great fluctuation in the ratio, but this is not a price that is guaranteed. There is not a ready market at that price all the time unless somebody makes it. The Government agency can only come in when you have a decline of 10 per cent.

Senator McNARY. When we discussed and studied the grain exchange bill, commonly known as the Capper-Tincher bill, I remenber you testified, and so did Mr. Wells, on the theory that hedging was necessary in order to insure against fluctuations. If you eliminate the fluctuations, the violent fluctuations, the risk, hedging is no part of the legitimate transaction?

Mr. GATES. Yes. You say if you eliminate the risk?

Senator McNARY. Yes.

Mr. GATES. But this bill does not eliminate the risk.

Senator McNARY. That is the theory upon which it is drawn, based upon a study of these 404 commodities over a period of 10 years, their value is fixed, necessarily, and having such a wide range of commodities, the fluctuations from month to month would not be great, therefore the basis of the all-commodities price being ascertained you only have to ascertain the exchange value of wheat, the purchasing power of wheat, and the fluctuations there would not be so wide as to require hedging.

Mr. GATES. Is there any guarantee back of that?

Senator McNARY. The guaranty of experience and history is all. Where we are not guaranteed you get 16 points a week, or 10 points a week, and there is a guarantee against fluctuation by reference to study of public documents.

Mr. GATES. By reference to those same documents suppose you determined the basic price of wheat this month. It does not say where you would have to have differentials for all different grades; you would have to have differentials between markets, but suppose the basic price of wheat was $1.75; there is a fluctuation of 17½ possible before any governmental relief can come in through this bill. There has not been a 10-cent fluctuation of price in six months under this situation.

Senator GOODING. That is rather unusual, though, if I remember correctly, in the price of wheat.

The CHAIRMAN. It seems to me that that is rather in favor of the bill, because fluctuation being so small as that without basing it on these 404 commodities, it would fluctuate still less if it were based on some exchange value of that kind.

Mr. GATES. Well, but there is no guaranty of that. There is no maintenance of that price.

Senator GOODING. I understand that this commission that is going to be created would always be ready to take up the wheat that was below the ratio price.

Mr. GATES. Under the bill they can not do that until it has had a decline of 10 cents below that.

Senator GOODING. I am not uneasy about the administration of the bill as far as wheat and other grains are concerned. I think it is simple enough.

Mr. GATES. It would be simple on wool, too.

Senator GOODING. Wool and wheat, and if we could protect the wheat grower with a tariff, that is all we would need. We can protect some agricultural products and some manufactured products with a tariff. I think that is admitted.

Mr. GATES. I have stated that the price of wheat would be the world level plus the tariff if we raised only enough wheat to supply the United States.

Senator GOODING. We are not getting the full benefit of the tariff.

Mr. GATES. No up in your country.

Senator GOODING. The millers are not giving the wheat growers the full benefit of the tariff now.

Mr. GATES. They are east of the Rockies.

Senator GOODING. The wheat grower does not get any benefit of the tariff east of the Rockies, does, he?

Mr. GATES. Of course he does.

Senator GOODING. Where does he get it?

Mr. GATES. He gets it wherever wheat is grown.

Senator GOODING. East of the Rockies.

Mr. GATES. East of the Rockies.

Senator GOODING. As far as the Red River country is concerned, the man in that hard spring wheat section, there is no doubt about his getting the benefit of the tariff, but he never gets the full benefit.

Mr. GATES. He gets the full benefit for the same class of wheat?

Senator GOODING. Well, I think maybe there has been a month or two when that was true, There have been times during the last year when wheat has been higher in Winnipeg than it has been in this country.

Mr. GATES. It has not been that way for months.

Senator GOODING. But it fluctuated usually from 10 cents to 30 cents. It has been ranging anywhere from 10 to 30 cents. I have gone into that rather thoroughly because I am very largely interested in it. I believe in protection thoroughly and have been trying to study it and see its effect. The farmer does not get the benefit of the tariff unless it is high. He does not get anything at all sometimes, because the other fellow is too well organized.

Mr. GATES. I don't believe you can justify that by an examination of the market itself. The Minneapolis prices are such that Canadian wheat of equal value can be brought in now, and it is coming in a little every day. At times when the premium gets too high on that wheat it comes in in large volume.

Senator GOODING. He is not getting the full benefit of the tariff all the time, and he has a protection of 30 cents to-day.

Mr. GATES. Not all the time.

Senator GOODING. That Canadian wheat is of the same class that we have up in North and South Dakota and Minnesota. It is the same class of wheat but not the same grade of wheat. Canadian wheat on that new land is worth about 5 cents a bushel more. I noticed when it was on the free list before the emergency tariff bill passed, wheat sold in Winnipeg about 5 cents above the Minneapolis market. So of course that must be taken into consideration.

Mr. GATES. When you are on an export level their wheat would command a premium over ours.

Senator GOODING. I think last year the reports show a margin of 9 cents between Liverpool and London in favor of Canadian wheat.

Mr. GATES. Better wheat.

Senator GOODING. Because all of their export wheat comes from that new country in western Canada.

Mr. GATES. That is the kind of wheat that the Dakotas had 30 years ago, which is no longer raised there. Illinois used to raise that kind of wheat 60 years ago, but now Illinois can not raise it, except after a long rest to the land.

STATEMENT OF MR. F. E. WATKINS, PRESIDENT GRAIN DEALERS' NATIONAL ASSOCIATION, CLEVELAND, OHIO.

The CHAIRMAN. State your name and occupation.

Mr. WATKINS. F. E. Watkins, Cleveland, Ohio. I am president of the Grain Dealers' National Association.

In order to explain, Mr. Chairman and members of the committee, the organization, if you are not already familiar with it, the Grain Dealers' National Association has about 5,000 members of grain and feed dealers, about 1,500 direct members, 3,500 affiliated members, and 16 affiliated associations and State organizations containing many cooperative stock companies. We not only encourage the cooperatives to join our organization but many of them have availed themselves of that opportunity, and they are very welcome in spite of the fact that they have their own national and State organizations.

I think you will hear from them before you have finished your hearings on this bill, and I believe we will all agree that their testimony will come from an unbiased source, because they are both grain dealers and farmers and should know both sides of this question from a practical standpoint.

It is very difficult to tell just what the ramifications of this bill might be, but as we study it in the trade we are inclined to believe that in effect it sets up another method of handling grain, and as it operates alongside of the present system of handling grain it would seem in the long run as if one or the other would have to be eliminated, and I should imagine that it would not be the Government function that would cease, therefore our appearance at this time.

Senator MCNARY. May I ask a question there? Does your association operate in a manner similar to the grain exchange in Chicago and Minneapolis?

Mr. WATKINS. No; Senator. Our membership is made up first of country elevators; that is, the bulk of it, the country elevators on the rails of the various railroads. We have shippers, we have commission men, we have practically all the members of the Chicago Board of Trade, the Minneapolis Board of Trade, and other exchanges, and we include the exporters. We have the entire gamut of the grain system within our membership.

This bill obviously gives great powers to the heads of the departments mentioned therein, and to that extent is injecting Government into business. Now, it is observable and very plainly to be seen that the phraseology or the form of the bill as it may come out of Congress and be spread upon the statute books is one thing, but in the actual administration of the bill you run across various regulations and rules which grow up under that bill, and therefore, unless the bill is very, very carefully defined when it is originated and passed, sometimes powers beyond what the originators conceive of are taken under the bill. We have seen that happen, and that is what we fear from this bill as it is. Frankly, we don't understand it. As practical grain men we can not see just how this is going to function. We can

see that it is going to put us out of business, or we fear it will. We can not say the farmer will not get some benefit from it, but eventually we feel that there will be a reaction, and that the farmer will not get the benefit from it that the bill is supposed to afford him. The previous speaker, Mr. Gates, brought that out rather plainly in two or three illustrations, the possibility that you simply put off for an indefinite period of years the final recovery and bringing of the country into a position where the natural laws of supply and demand will operate.

Senator JOHNSON. Is it your idea that this bill, if enacted into law, would increase the price of wheat to the farmers?

Mr. WATKINS. The immediate result I should think would be that, yes. Apparently this bill is named very definitely as an emergency measure. It is not proposed to be a continuous function, I take it. It only comes into operation whenever an emergency is declared. That brings to mind a matter you were discussing with the previous witness. If you destroy your hedging machinery, as I think you are likely to do, if you try to stabilize the price on wheat and corn, you can not expect them not to function for two or three months and then be there in position to function when you would withdraw from the market under this bill and let natural causes and effects come about. In other words, you can not destroy that machinery and expect it to function when it is needed and, gentlemen, it is needed in the way that the present handling of grain is built up. The miller, as Mr. Loring stated this morning, not alone needs this hedging facility, but the handler of grain in large amounts needs it also.

Senator MCNARY. Hedging as insurance against fluctuation of the market?

Mr. WATKINS. That is the idea.

Senator MCNARY. Why does the large operator that handles wheat only for the purpose of making a profit need it?

Mr. WATKINS. It is insurance.

Senator MCNARY. What is his economic function?

Mr. WATKINS. Of the hedging?

Senator MCNARY. No, of this particular fellow who is not a miller, who does not use the grain, but operates on a large scale in which, as you say, he also needs hedging.

Mr. WATKINS. I was thinking of the fellow who collects it and passes it out to exporters, millers, and other large buyers. It is cash grain, as distinguished from trading in futures. For instance, hedges which Mr. Loring might place against flour sales. His effort, of course, is to sell all the flour he can in a given time, because hedging is expensive. You don't go into hedging operations if you don't have to. We would very much prefer to buy an amount on a given day and sell an equal amount, and let the hedging market alone, if that were possible. But grain and flour do not move that way. It is a commodity that comes in fits and starts, and therefore we have to have something to take up that slack. I would rather have hedging called insurance, because that is practically what it amounts to, and there is no question but what, if the hedging facilities are taken away, you would immediately cause a spread in the market between producer and consumer both of flour and grain and all grain products, because the risk would not be taken care of in the handling of grain and flour as it is under present conditions.

Perhaps that is enough on that subject, because hedging was discussed thoroughly by the last witness.

The ratio price forms an unfavorable basis, because we are unable to guess what might happen on that price. If it were possible to know what the prices were going to be throughout the month, from year to year, perhaps we could function by having that information in advance, but it is perfectly obvious if the farmer knew that in the month of March, for example, the ratio price would be higher than it was in the month of January, he is going to hold all his grain and sell it in March, etc.

I think that is an absurdity which can not come about.

You have asked each witness for practical suggestions. I suppose we might just as well be frank and say so far as we are able to gauge the opinion of the grain trade they would favor letting matters alone and letting natural causes bring about a permanent cure of this situation. The answer to that, of course, is that it seems to be too slow. But at least it will be permanent if it comes in that manner.

The CHAIRMAN. You think there is not any remedy, then?

Mr. WATKINS. No; I should not say that. I think it will be remedied automatically, but I can not say how long it will take. But, as I get the figures from the Department of Agriculture, the farmers of the country are just about half a billion dollars better off in 1923 than they were in 1922, and that is coming back tolerably fast for one industry.

The CHAIRMAN. You mean to say that the condition is such that there is nothing we can do by legislation?

Mr. WATKINS. I regret to see legislation attempting to govern economics. The situation will eventually right itself.

The CHAIRMAN. Don't you think a good many of these conditions that the farmer is confronted with have been brought about by legislation?

Mr. WATKINS. Yes; some of them.

The CHAIRMAN. Why should we exempt him, then, from legislation looking to his relief?

Mr. WATKINS. I don't know that he should be exempted, but perhaps, as you intimated this morning, we should take the other end of it and take back some of the favors we have handed out to other classes. Farmers are members of our organization. I am not talking against the farmer here. We are only too glad to see them prosperous. We want prosperity to come to him, because in turn it comes along to us. I realize that the feeling all over the country is that natural causes are not bringing about this readjustment fast enough. We have had mentioned here the Norbeck bill, which will take care, to some extent, of the emergency in the Northwest. Frankly, from what experience I have had in business and in traveling about, I have not heard any great complaint from the farmers in the East—in Illinois, Indiana, Ohio. They, of course, are not any too prosperous in there, neither is any other line of business too prosperous just now. You go west from there and you find increasing complaint, because they are getting less prices and higher freight rates, which push the prices down from the West, and, going east to west, it is bound to lower prices.

The CHAIRMAN. Take the freight rates as an illustration. I don't mean to say that it would cure all evils, but I think it is admitted to

be one difficulty that the farmer is laboring under. The farmer is at the end in both cases.

Mr. WATKINS. Absolutely.

The CHAIRMAN. The railroad passes the freight on to him, and he gets a lower price for what he sells, and the other fellow passes it on to him when he buys. Now, we have legislated by the passage of the Esch-Cummins Act so as to help the railroads at the expense of the farmer.

Mr. WATKINS. Yes.

The CHAIRMAN. He can not pass his part on. The merchant who pays the freight can pass it on to the other fellow, but the farmer can not do that. Now, should we remain idle and say that in due time the farmer will be able to overcome this handicap that we have put on him by legislation?

Mr. WATKINS. That is a difficult question to answer, Senator.

The CHAIRMAN. Is it fair to say that to him?

Mr. WATKINS. I question if it is fair to say that. I think that is one of the things that should be considered by Congress.

The CHAIRMAN. Now, we can do the other thing. If we are not going to try to raise the farmer up to this level we can say we will repeal the Esch-Cummins law, for instance, and we will help him out on the freight proposition. If we undertook to do that where would you stand? Would you be one of the fellows that now by the hundreds of thousands are writing everybody, Senators and Congressmen, not to monkey with the Esch-Cummins law; they are doing pretty well on it; let it alone.

Mr. WATKINS. I am not an expert, but I would rather imagine it would be a tough thing on the railroads to have that legislation repealed unless they could in turn reduce the wages that the Adamson law established, and perhaps give them a chance to work back down the line of this schedule which has been built up by legislation which I think we now admit was a mistake.

The CHAIRMAN. Where we find some manufacturer is being protected by a tariff which is very high, carrying out the same theory, ought we not then to repeal the tariff, or at least a portion of it?

Mr. WATKINS. Senator, when you get into the tariff you get into such a complicated situation that I do not feel competent to discuss it.

The CHAIRMAN. We are confronted with a proposition of traveling one route or the other, or else just holding up our hands and letting them alone. We must do one thing or the other.

Mr. WATKINS. There is possibly some kind of compromise between the two. I think as a matter of suggestion here perhaps more tariff to the farmers would help. Tariff is one of the avenues out of the difficulties which you find yourselves in.

The CHAIRMAN. Where would you put on more tariff to help the farmers?

Mr. WATKINS. You might be able to hold back Canadian wheat.

The CHAIRMAN. You could put it high enough so Canadian wheat would not come in?

Mr. WATKINS. I don't suggest this as the best solution, but it might hold back some Canadian wheat that is coming in.

Senator JOHNSON. Is it true that the difference between Canadian wheat and wheat in this country was only 3 cents the other day?

Mr. WATKINS. I am not posted, Senator, on the prices sufficiently to answer that. In general I would say that the Canadian wheat will not come into this country when the prices are not attractive. It will work out to seaboard export unless our price here is high enough to bring it across the border. The amount of exports from Canada always gives you an indicator of how much our price is above the Canadian level without further examination of the prices.

Perhaps a solution of this might be a more direct handling of this surplus, which is causing much of the difficulty. Mr. Loring here this morning suggested a bounty, with great reluctance, and I think we would all do that, but it may be that instead of setting up such an expensive machinery as this, injecting the Government into business, you could take this surplus and dispose of it somewhere and accomplish the same result and do it as an emergency measure and not go into a 10-year proposition which, as Mr. Gates has suggested, would leave the Government in the grain business for all time. Certainly, we should quit emphasizing this surplus. If it had not been thoroughly advertised, I think to-day it would be 10 cents a bushel higher. We have brought down our own price by talking so much about it. The emergency was there, and we had to have the wheat conference, and we could not keep it out of the newspapers, and Europe heard of it and they sat back and said, "The longer we wait the cheaper we will buy." That is only natural.

The CHAIRMAN. I did not ask the preceding witness any questions about it, but he contended seriously, and apparently you are contending the same thing now, but do you agree with Mr. Gates when he said in effect that there is no surplus here of wheat now?

Mr. WATKINS. I think Mr. Gates's figures are very carefully prepared. They are the figures of experts.

The CHAIRMAN. I may be getting at it from entirely the wrong angle, but in order to find out whether there is a surplus or not, of wheat or anything else, I always look and see how much has been exported, and how much has been imported, and I supposed that was a conclusive answer.

Mr. WATKINS. I understand the record will show the same thing, that there was not any great amount of exportable wheat, that is, wheat of the character which is exported east of the Rockies; that the character of wheat that was exported was west of the Rockies.

The CHAIRMAN. If we produce in the United States 200,000,000 bushels of wheat more than we consume, and we have a sufficient tariff to keep out the imports of wheat, haven't we got an exportable amount equal to 200,000,000 bushels?

Mr. WATKINS. That is a matter of arithmetic, Senator. We have, but we may not have it of a quality which can be readily exported.

The CHAIRMAN. That may be, but if we have it we have to sell it somewhere.

Mr. WATKINS. If we have it; yes.

The CHAIRMAN. If we can not consume it in America we must sell it somewhere else.

Mr. WATKINS. That is true.

The CHAIRMAN. And when you sell it you have to take the price, whatever it may be.

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Mr. WATKINS. Whatever it will bring. It is very difficult to say what the surplus will be under this bill, but it is conceivable that you may have a half billion bushels of wheat under the stimulated production in this bill, and a great deal of it will be in territory producing wheat that is not of the character readily exportable, making it very much more difficult to dispose of, and of course penalizing the producers of the country. It would work back to them.

The CHAIRMAN. If that should be true the farmer himself would be the man who would be penalized, because he would have to pay for it.

STATEMENT OF MR. G. F. EWE, REPRESENTING TERMINAL ELEVATOR GRAIN MERCHANTS' ASSOCIATION, MINNEAPOLIS, MINN.

The CHAIRMAN. State your name and occupation.

Mr. EWE. G. F. Ewe. I represent the Terminal Elevator Grain Merchants' Association, Minneapolis, Minn.

The Terminal Elevator Grain Merchants' Association was an organization created during the war for the purpose of working with the Government in the handling of grain products of the country. It has no salaried executives and has no other function to perform than to work with the Government, with no salaried officers or no other finances.

The United States agricultural commission bill, introduced by Senator McNary and Representative Haugen, is, from my study thereof, apparently designed to arbitrarily fix and maintain a price level for any agricultural commodity, with respect to which an emergency has been declared, by purchases in the various markets of the country in sufficient volume to arbitrarily raise the price. The price level aimed at is known as the ratio price, determined by a comparison of grain prices with the all-commodity price during the period from 1905 to 1915, inclusive.

I will not attempt to go into the details of the working of the proposed bill, but will briefly analyze the same from the standpoint of those engaged in the operation of terminal warehouses at our primary markets.

While the proponents of the bill, as I understand it, are claiming that the purpose of the bill is to eliminate the surplus production in any commodity within the operation of the act as a factor in the market, so as to sustain prices in the domestic market, the bill is so framed that the corporation created by the act can take over the entire handling of the crops of the country, if it so desires.

Referring for the purpose of illustration to the possibility of the declaration of an emergency with respect to wheat, in my opinion, it would very likely result in the proposed corporation handling much more than would be ordinarily included in the exportable surplus, for the reason that the operation of such a corporation, under the method proposed, would interfere to such an extent with the business of those now engaged in the handling of grain as to practically destroy their business, with the result that a much greater volume of the wheat crop would have to be handled by the corporation than might be supposed. The corporation would buy and sell

in the domestic market under certain conditions at the ratio price, or otherwise, and the uncertainty as to the extent and character of the operations of the corporation would make the business of those engaged in the merchandising of wheat or the manufacture of flour so hazardous as to be out of the question.

The terminal elevator operators in the primary markets of the Northwest have millions of dollars invested in terminal elevator properties, and in these warehouses, with a capacity in excess of 55,000,000 bushels in Minneapolis alone, there is stored for milling purposes from time to time a large percentage of the production in the Northwest.

The terminal elevator operator accumulates stocks according to a method which has been developed over a long period of years, and which involves certain practices which are vital to the present method of handling our crops, and which it would be impossible to continue in operation if this proposed law went into effect.

As the wheat moves to the primary markets, the terminal elevator operator takes note of the cash price of grain and also of the price of the nearest future. The months designated as delivery months under the system in operation in the Northwest are September, December, May, and July. Whenever the terminal elevator operator finds a condition where the future price is slightly in excess of the cash price, he steps into the market, buys the cash wheat and stores it in a terminal elevator, at the same time selling futures, usually for delivery during the nearest delivery month—during the period between September and December—for example, for delivery in December. For the small margin represented by this difference, he takes delivery into his warehouse, takes care of interest and insurance, handling and redelivery charges, with the result that there is always available to the mills the kind of wheat which they desire for milling purposes, and at the same time the market has been sustained by the absorption of the cash wheat by the buyers for terminal elevator operators.

The low margin exacted by the terminal elevator operators for the services which they perform is possible only because of the practice of hedging, and they are enabled to borrow money from the banks to finance these immense purchases of grain only because of the fact that, by this practice of hedging, they effect a system of insurance against the price fluctuation, so that warehouse receipts issued against the grain in the elevators is the very best collateral at the banks.

Under the proposed system, after once establishing a ratio price, there is no assurance that there will not be fluctuations, both under and over the ration price fixed, depending upon conditions. The act itself proposes that, in the event of a fluctuation amounting to more than 10 per cent under the ratio price, which might amount to 10, 15, or even 20 cents per bushel, depending upon what ratio price is established, such fluctuation will be corrected by a revision by the commission of its recommendations as to the amount the corporation shall purchase at the ratio price, with the idea of restoring the price as nearly as possible to the level of the ration price fixed.

But, even within these ranges, it is apparent that a fluctuation that might be absolutely ruinous to the terminal elevator operations might occur, against which they would be absolutely unprotected,

because future trading—in the event that this law becomes effective, would be out of the question.

It is apparent that, where the commission would fix a new ratio price every 30 days based upon factors about which the grain dealer knows practically nothing, since, of course, the ratio price would be fixed according to fluctuations in the all-commodities price, future trading in wheat could not be carried on at all. The result of such a situation would be that either the terminal elevator operator would have to go out of business, or he would have to abandon the purchase of grain for storage purposes, or exact a much larger toll than under present conditions, for the services which he performs.

In addition to this, it becomes apparent, also, that in the event that the terminal elevator operator was, by the operation of this law, denied the privilege of hedging his purchases of grain, and assumed all the hazards of ownership without any protection whatever, the financing of his operations would be a matter of grave concern.

The banks have been accustomed to regard warehouse receipts, where purchases of grain were properly hedged, as the very best collateral, and there is no question but what, if the hedging privilege were done away with, that unless the terminal elevator operator was possessed of enormous resources, he could not borrow more than a comparatively much smaller percentage of the value of the commodity held in storage.

There is considerable doubt among those who have given these subjects serious study as to whether the amount of the exportable surplus is, after all, the determining factor as far as domestic prices are concerned.

The report of the Joint Commission on Agricultural Inquiry, submitted by Hon. Sydney Anderson, in volume 1, thereof, pages 157, 158, and 159, shows that, in his opinion, the amount of the exportable surplus is not the chief factor in determining the price. His conclusion, after examination of the statistics covering a period from 1890 to 1921, indicates that domestic consumption is a more influential factor in price making than the amount of the exportable surplus, and he cites as an illustration, on page 159, the fact that there was a large drop in the price of wheat during 1920, notwithstanding the increase in exports, and his conclusion is as follows:

> It seems probable that this drop can be attributed almost wholly to the falling off of domestic consumption, which in 1920 was only 4.6 bushels per capita, and the beginning and conclusion of industrial depression.

There are many difficulties in the way of the operation of such a plan. It is well known that some varieties of wheat and wheat from special localities are particularly desirable for milling purposes. There are also many different grades, and whether the surplus to be purchased by the Government would represent the best milling wheat or some other grades could not be determined in advance. High premiums are paid at local markets for wheat of superior milling quality. This price might exceed the ratio price, whereas in purchases by the Government this premium might be entirely ignored.

This country might produce what might be termed an exportable surplus in a given year, and at the same time might be short of wheat for domestic consumption by reason of the poor quality from a milling standpoint of the wheat produced in this country. This is illustrated by the fact that in the year 1923 Canadian wheat, because of its exceptional milling quality, was actually imported, despite the tariff of 30 cents per bushel, while American wheat was at the same time being exported.

Another objection to the proposed bill lies in the fact that there is no assurance that there will always be available to this country a market into which to "dump" its so-called exportable surplus. While at present there are no restrictions as to American wheat in foreign countries, yet if this country should adopt a bill such as is now proposed, which can be successful only by making the practice of "dumping" one of its essential features, we can not indulge in the presumption that other countries would not, before very long, show their resentment, in which case the whole scheme would, after dislocating the established grain-marketing machinery in this country, probably, after all, prove a failure.

The proposed plan involves the theory that domestic prices are too low, by reason of the competition of the cheaply produced products of foreign countries in the markets of the world. They propose to offset this by the prevention of importation, secured by a high tariff, and by the purchase by the proposed corporation of our exportable surplus, which the Government will sell in the foreign markets at what price it can obtain, and will charge the loss to the American producer on the basis of a per bushel unit.

Prices are on a fairly high level at the present time, not only in dollars and cents, but measured in such commodities as the farmer has to buy.

The crisis we have seen will result in the elimination of the unfit, those who had no experience in farming and had no capital to begin with. The great majority are using their intelligence and are beginning to realize that farming is a business, and they are turning from exclusive wheat farming on worn-out land to diversified farming, and where this is being done there is not only no acute suffering, but a fair degree of comfort and prosperity.

Under such a plan our producers will have to take a heavy loss on at least the exportable surplus, and there is no guide or possible method of ascertaining in advance what amount the Federal corporation may have to buy and what losses they will have to take in order to maintain a domestic price level at the desired point. These losses and the expense of administration might absorb nearly all the advantage in price on the portion of the crop consumed here.

In my opinion, the industry of agriculture is working out its own salvation. To my mind the proposed remedy is fundamentally unsound and would react to the detriment of the industry as a whole if adopted. While we desire to see the farmer contented and prosperous and are in sympathy with any reasonable measure for his relief, I do not think the proposed legislation, or any similar legislation, will improve his condition.

In my opinion, there are no conditions in the industry of agriculture which offer justification for legislation of the kind proposed.

The present grain-marketing machinery has been the subject of much investigation and discussion and has been found efficient and economical to a very high degree by economists, State commissions, and investigating bodies, as well as by the Joint Commission of Agricultural Inquiry composed of Members of the National Congress.

Legislation such as is proposed would destroy that machinery and substitute therefor a socialistic scheme that would not correct but would perpetuate the evils that have caused the conditions complained of, namely, wrong methods on the part of the farmers themselves, which it is in their own power to correct—evils which are purely economic evils and which can never be corrected by legislation.

With our great natural advantages as to soil and climate and the character of the people engaged in agriculture, that industry can be put upon self-sustaining basis in competition with the world, without a subsidy or any artificial price stimulation. When this result has been secured, the accomplishment will be permanent, and the farmer will be self reliant and efficient in just the proportion he has contributed thereto.

The CHAIRMAN. You have repeated what a preceding witness has said, that if we pass this law, this commission set up in it will buy the surplus and sell it abroad, and that the other Governments would resent it.

Mr. EWE. Yes, sir. That is my opinion.

The CHAIRMAN. Would there be any difference between this commission sending it abroad and other grain men sending it abroad, as they do now?

Mr. EWE. You automatically stimulate production by this bill. The natural result of the passage of this bill would be to increase the production of wheat.

The CHAIRMAN. The countries that buy it are countries that do not produce enough wheat to supply their own people, and if you stimulated the production of wheat and increased the surplus that had to be sent abroad it would tend to lessen the price abroad, would it not?

Mr. EWE. Yes, sir.

The CHAIRMAN. Would it not follow, then, that that being true, those people who had to buy wheat would welcome it and say, "We are paying less for our wheat than we did before, and that is what we want?"

Mr. EWE. England, for instance, as an illustration, would naturally oppose the putting on of an import duty on Canadian wheat into this country. They would naturally resent it and would employ all means to bring their own trade to their own country. Argentina and Canada and Australia all produce a surplus of wheat. They would naturally take steps by which that grain would be given preference over American grain.

The CHAIRMAN. Would they not buy it on the market? Would not the purchaser over there buy where he could get it cheapest?

Mr. EWE. If they put 30 cents duty on American wheat imported into England, that would automatically force the English buyer to buy from their own colonies.

The CHAIRMAN. We are only going to sell our surplus in countries where they do not produce wheat enough for themselves. We can not expect to sell it in the Argentine or in Canada, but we are going to sell it in those countries that do not produce enough wheat for their own use. Would they not be glad to have the price go down? Would they not welcome it?

Mr. EWE. Certainly.

The CHAIRMAN. If this is going to reduce the price, would they not be glad of it?

Mr. EWE. They have the same problem in England that we have in this country. The producers in England are demanding protection from the Government.

The CHAIRMAN. They do not produce wheat enough in England to supply their own demand. It is to their interest to buy it just as cheaply as possible.

Mr. EWE. On the other hand, the producers want to get as high a price for it as they can.

The CHAIRMAN. Exactly; but you are going to sell this surplus in the market where they are going to buy it. You are claiming the surplus will be bigger, but that will tend to decrease the world price. England could buy her wheat cheaper if your argument is true. It seems to me she would welcome it with open arms.

Senator JOHNSON. May I ask you a question before I go away? You agree that the farmer should have cost of production if he is to stay in his business?

Mr. EWE. Yes, sir.

Senator JOHNSON. Just as soon as he delivers his grain the commission man has a price set for handling the grain for him, has he not?

Mr. EWE. He has.

Senator JOHNSON. The hedging is paid for at a certain price?

Mr. EWE. Yes, sir.

Senator JOHNSON. And the insurance man has got a certain price, has he not?

Mr. EWE. Yes, sir.

Senator JOHNSON. And even the bonding companies, as you know, have a price set, and on top of that, where they have a little elevator in Campbell, Mont., their seven members of their board of directors have to go behind the bonding company on top of what they pay them, and still they have to pay it. Is not that correct? The reason I am asking this question is to try to get out of you that anyone who is handling the farmer's product charges so much for it. You agree with me, don't you, that on top of this, if there is any speculation where they take chances they try by speculating to cover themselves against loss if it is possible?

Mr. EWE. May I answer your question, Senator?

Senator JOHNSON. Yes.

Mr. EWE. I have been in the grain business for 45 years. I have never had a speculative trade in my life. You take the country elevators and the terminal elevators, and there is no grain machinery in any country that I have visited all over the world that is as economically handled as the grain machinery on this continent, where the farmer can bring his grain in to market, get his money for it if he wants to sell it, or he can bring his grain in and store it as long as he wants to store it, and the margin between the price he pays the farmer and the price he gets for the grain delivered at terminal is the most economical of any industry in the world.

Senator JOHNSON. Yes; I probably agree with you. We took that up this morning.

Mr. EWE. As far as the toll that the insurance company exacts and the bonding company exacts, I don't know that that is the factor in this question, but the fact that the directors of your local elevator

have to indemnify the insurance company against liability that they have assumed because of their bonding agents, that is not true of us. We do not have to indemnify the insurance company or bonding company at all.

Senator JOHNSON. That is because you are big enough to take care of yourselves.

Mr. EWE. No.

Senator JOHNSON. How do you mean?

Mr. EWE. We are supposed to employ men of absolute honesty and integrity, and, secondly, the insurance company has entrée into our books and records whenever they want to, and have all information essential to the operation of the elevator.

Senator JOHNSON. What I am after, Mr. Ewe, is this. You charge for this service, don't you?

Mr. EWE. Yes, sir.

Senator JOHNSON. Even these storage elevators charge so much per bushel, and if you want a service of them in mixing your wheat, then if you store it with them they charge so much for that, do they not?

Mr. EWE. Those charges are fixed by statute, Senator.

Senator JOHNSON. I know. That is what I am driving at.

Mr. EWE. That is the maximum toll that the elevator operator can exact, and it does not provide a minimum toll that he gets for his services. In lots and lots of cases the country elevator is operated without exacting any storage from the farmers at all.

Senator JOHNSON. Then, if you lose on one of your elevators you make so much more on the others?

Mr. EWE. I would not say that.

Senator JOHNSON. You have to have something to stay in business.

Mr. EWE. You say you agree with me, Senator, that the grain business is the most economically conducted business of any business in the world, so far as its conduct in the Northwest is concerned?

Senator JOHNSON. I agree with you that what the farmer pays between the time when the grain leaves him and when it reaches the miller has not been excessive. Of course, the speculation probably can come in afterwards. What I commented on this morning is that the biggest spread is between the time when the miller gets hold of it and the time the consumer gets it.

Mr. EWE. That is a factor I am not in touch with, because we are not in the milling business.

The CHAIRMAN. Have you any remedy to suggest to us that you think we can apply satisfactorily? Is there anything we could do?

Mr. EWE. I think the only thing you can do is to try to get the farmer to improve his farming methods in the Northwest. I think part of his trouble is attributable to the fact that he has insisted upon growing wheat to a much greater extent that he should on land that he has not fertilized, and that he has not resorted to diversification to the extent that he should, which is essential to the results that he obtains from his year's operations.

The CHAIRMAN. We have had witnesses here from Illinois and Iowa, where they have diversified to the fullest extent, and their reports are nearly as bad as they are in the Dakotas.

Mr. EWE. I can not conceive of any justification for that. I do not mean to say that there may not be farmers in that locality that

have had bad crop failures, and have had adverse conditions that have been factors in the results they have obtained, but generally speaking the farmers in Iowa and that territory are quite well off and quite satisfied.

The CHAIRMAN. Is it not generally admitted—as far as I know universally admitted—that wheat now is produced at a loss and the farmer does not get what it costs to produce it?

Mr. EWE. I think possibly that may be true in some sections of the Northwest, because of the fact that he only raises 5, 6, or 7 bushels to the acre, whereas in Canada they raise 26 bushels to the acre, and whereas in the Argentine and western territory they raise 30 bushels to the acre, and the same thing applies to certain sections in the Southwest.

The CHAIRMAN. Mr. Ewe, it is your understanding that the farmers of Iowa, Illinois, Missouri, Kansas, and Nebraska are in pretty good condition now; that they do not need any assistance?

Mr. EWE. That is my theory.

The CHAIRMAN. Of course, if we had that understanding we would go home right away, and if that understanding is right there is not anything that we should do.

Senator GOODING. I was going to ask the witness if he knew anything about the farmers in Idaho?

Mr. EWE. No; I don't, but I can conceive what their condition might be, because we know the quality of wheat they produce out there.

The CHAIRMAN. What information have you of the condition of the farmers in the States I have mentioned? Have you been over the country any, or have you made any investigation of it?

Mr. EWE. I have lived in Minneapolis for 35 or 40 years.

The CHAIRMAN. But you are living in the Northwest country where you concede there ought to be something done. Have you been through Illinois, Indiana, Iowa, Missouri, Kansas, and Nebraska?

Mr. EWE. I have been through the States, but I have not made any careful survey of their situation, except in a general superficial way, by coming in contact with the business of our association.

The CHAIRMAN. If you assume now, for the sake of your answer, that the farmers all through that country are in practically the same condition as the farmers you know about, that their farms have been sold or mortgaged, sold for taxes, and thousands and thousands of farmers, particularly tenant farmers, driven entirely off of their farms, and they are in that deplorable condition, is there anything we could do to help them?

Mr. EWE. I can not conceive, Mr. Chairman, how anything legislatively can be done to construct an economic condition.

The CHAIRMAN. Don't you think that the farmer who has to sell his products to men who have been protected in various ways by law, such as the railroads and manufacturers, and so forth, and where that condition has been brought about at least to some extent by legislation, it is unfair to him to leave him out?

Mr. EWE. Yes, sir: I do. I think that the Adamson Act has done a great deal to bring about that condition. Now, that is my own personal opinion. It has resulted in a substantial increase in the wage scale, increasing the price of manufactured products, and also has justified a substantial increase in the freight rate structure.

The CHAIRMAN. Do you believe that the railroad men now are getting wages too high considering the cost of living?

Mr. EWE. I do.

The CHAIRMAN. You think they are getting too much?

Mr. EWE. Yes, sir; I do.

The CHAIRMAN. Do you think the railroads are getting too high freight rates?

Mr. EWE. I would not say that. I do not think the railroads would be only too glad to reduce their rate structure if their conditions would justify it.

The CHAIRMAN. When it comes to the railroads, we will ask them whether they can do it or not, and if they say they can, then we will do it, but when it comes to the farmer we will not apply that same rule to him. It is economic ruin to apply it to him.

Do you know of any farmers in any of these States that I have mentioned, any diversified farmer now, diversifying just as much as you want him to diversify, who has made anything if you apply the same rule to him that is applied to the business man and allow him wages, interest on investment, on indebtedness? In other words, apply the rule right through that is always applied to a business corporation, and do you know of any farmer that has made anything in the last year?

Mr. EWE. Now, I would like to answer that question by a statement I heard that was developed in the conference in St. Paul about a month or so ago, where the heads of the agricultural departments of the different Northwestern States were in conference, and this man from Montana stated an occurrence which took place when he was in a bank in Lewistown, Mont., and he said a farmer came in and told the banker about his inability to pay his interest, taxes, and other obligations, because of the results that he had obtained from the farming of his farm for several years, and shortly after this man came in another man came in and he asked him how he was getting along. He said he was getting along very nicely. He said he had more money in the bank to-day than he ever had in his life before. He asked him where his farm was located. He told him where it was located, and it was about a mile and a half or two miles from this first man's farm. He said, "How do you produce those results?" He said, "I put in alfalfa on 20 acres, summer fallow my land, and rotate my crops." He says, "It means hard work, of course, but I am getting results." He went back to the first farmer and asked him how it was that with the atmospheric and soil conditions about the same he could not make a success of it, when this other fellow was making a success, and he said, "You don't suppose I am going to work like that damned fool does, do you?" He says, "That man works 16 hours a day a good share of the time and I am not going to work like he does."

Don't misunderstand me, Senator. I am in sympathy with the farmer

The CHAIRMAN. What you say is true, but we are considering farmers as a class just like we would consider the grain men as a class. There are some of them that are no good.

Mr. EWE. Yes, sir.

The CHAIRMAN. Just like lawyers and even Senators and everybody else. Some are bad and others are good, but they are not any worse than any other class. They are just the same.

Mr. EWE. I agree with you.

The CHAIRMAN. But we are unfortunate, if that is the answer to the question, in selecting Montana, for we had for a day and a half on the witness stand here one of the most intelligent witnesses I ever heard testify, from Montana, and besides we had a whole lot of other Montana people, some of them bankers, and they have given us an entirely different story about Montana.

Mr. EWE. That territory is in pretty bad shape.

Senator GOODING. We had the commissioner of agriculture.

The CHAIRMAN. Yes; we had the commissioner of agriculture, Mr. Davis, who was as well posted as any witness who has ever testified before this committee, and he gave us what I believe to be a very accurate survey of Montana, and they had an organization in Montana composed of farmers, business men, bankers, manufacturers, wholesalers, and retailers, comprising the whole State. They got so interested in this proposition and so anxious to relieve the farmer, that the whole State organized and sent their representatives down here before us, and they told us a tale about farming in Montana that would bring tears to the eyes of the most hard-hearted man who ever lived.

Mr. EWE. Another feature of this McNary bill is this: Suppose you determine that that is actually the result, that 200,000,000 bushels is the exportable surplus, where do you propose to take that from?

The CHAIRMAN. Buy it.

Mr. EWE. Where; in what market?

The CHAIRMAN. In the American market.

Mr. EWE. But where?

The CHAIRMAN. Any place they want.

Mr. EWE. West of the Rockies?

The CHAIRMAN. Any place they want.

Mr. EWE. The reason I asked the question was because, as I stated a few moments ago, the price level of wheat in Minneapolis is comparatively higher than in any other part of the United States, because of the fact that there is the place where they produce high protein content wheat, which is much higher relatively than certain sections in Texas, Kansas, Missouri, and other sections. Therefore, if you are going to confine the activities of this commission to taking the surplus west of the Rockies, it might not be helpful to the territory east of the Rockies.

The CHAIRMAN. If this commission is going to buy wheat, it seems to me they will have to be prepared to take it when it goes down below the price they fix. That automatically will fix it. They take freight into consideration and all those things. The theory is that they will buy enough wheat so they will take the surplus out of the country, and the tariff would keep any other wheat from coming in, therefore the price will automatically come up, and when it gets up to where it ought to be they will stop buying.

Mr. EWE. You have other complications.

The CHAIRMAN. I have no doubt of that.

Mr. EWE. There are numerous complications. Take, for instance, the same price for the same grade of wheat. We have 30 grades and we have the same grade of wheat selling at a difference of 10 cents a bushel on our market. Does that mean that our farmer who sells

that high protein content wheat for which he is getting a premium now will have to forego that 15 cents premium?

The CHAIRMAN. We probably won't get it at all if it selling on that basis. We will let you people buy it. We won't touch it. They did that during the war. There is a lot of complicated machinery involved, I know, and I have grave doubts whether the bill is workable on some things.

Mr. EWE. It is absolutely impossible.

The CHAIRMAN. I think it could be worked on wheat and on some other things, but it involves a complicated lot of machinery. It is a difficult thing to work out, a difficult thing to carry out. I know that. But as I look at it we are confronted with a condition here that makes it imperative that we decide whether we can do anything. I think myself we can. A lot of people think we can not. If we are wrong about that, then we will throw up our hands and say, "Suffer and starve and die. If God don't take care of you, we can not." But if we can do something, we ought to do it.

Mr. EWE. I have been on earth long enough to have passed through several periods of low prices. I remember the time when we bought wheat for 40 cents a bushel.

The CHAIRMAN. The farmer would be glad to sell his wheat for a dollar a bushel if you would put him under conditions where his dollar would buy what it ought to buy. The facts are that we have put everybody else, as I think, by legislation, in an advantageous position, and can not help the farmer. At least so far we have not been able to do it. Now, he is at the end of the equation. He pays the freight on what he buys and on what he sells. He is surrounded by conditions many of which are artificial and made by legislation, that have put him at a disadvantage. Now, can it be remedied? And if so, we ought to do it, and we ought to even take a chance in doing it.

Senator SMITH. Mr. Chairman, I would like to ask the witness if he recalls any agricultural depression that shows the extreme difference between the industrial price and the agricultural price in relation to the things that the agricultural dollar has to buy?

Mr. EWE. I have not any absolute check on it, Senator, but you recall, possibly, 25 years ago, when the price level of oats through all of this Iowa-Illinois section was such that you could buy all you wanted for 20 cents a bushel. The country elevator could buy all it could furnish cars for. Also I recall the fact that corn was selling at 10 to 15 cents a bushel in Illinois, Iowa, and Nebraska. I imagine that the discrepancy between the value of the farmer's dollar and the industrial man's dollar at that time must have been as great or even greater than it is to-day.

Senator SMITH. I have not had an opportunity to look through all of the different papers that have come to me, but I am under the impression that taking the agricultural problem as a whole they are now perhaps at a wider variance in purchasing power compared with other commodities than ever before in the history of the country.

Mr. EWE. I have not any way, as I say, of absolutely verifying the correctness of my statement, but take 25 years ago when corn was selling at from 10 to 15 cents a bushel as compared with 75 cents and 80 cents a bushel, 65 cents to 70 cents on the farm, the difference in the buying power I think must have been greater than it is to-day.

Senator GOODING. When was it that corn sold for 10 cents a bushel? In 1893?

Mr. EWE. 1890.

Senator GOODING. During the panic?

Mr. EWE. No; before the panic. Corn was selling at 15 cents a bushel in 1889.

The CHAIRMAN. It seems to me that is more or less immaterial, because if there was a condition existing before where the farmer's dollar was worth only 50 cents, it is only a demonstration of the fact that this is not the only time he was getting it in the neck.

Mr. EWE. On the other hand, that was corrected without any legislation.

The CHAIRMAN. Exactly. I have no doubt but what in time this would correct itself, but the farmers would all starve to death, and we would have a new lot of them on the farms. It seems to me we ought to remedy it now if we can, while there is still somebody alive.

Mr. EWE. If I had any suggestion from a legislative standpoint by which the farmer's conditions could be corrected I would be glad and only too glad to tell you what it was, because there is nobody we have a higher regard for than the agriculturists of this country.

(Whereupon the committee adjourned until 10 o'clock a. m., Thursday, February 7, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

THURSDAY, FEBRUARY 7, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Gooding, Norbeck, McKinley, Harrison, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order. Mr. Hargis wanted to make a statement this morning.

STATEMENT OF MR. B. L. HARGIS, KANSAS CITY, MO.

Mr. HARGIS. My name is B. L. Hargis, of Kansas City, Mo.

I speak for the men representing the grain exchanges, and also bring certain resolutions from millers in our territory.

The CHAIRMAN. First state what is your business?

Mr. HARGIS. I am in the grain business, Mr. Chairman.

The CHAIRMAN. In what particular capacity?

Mr. HARGIS. In the commission business.

The CHAIRMAN. At Kansas City, Mo.?

Mr. HARGIS. At Kansas City, Mo.; yes, sir; both receiving and shipping.

The CHAIRMAN. Are you a member of the grain exchange?

Mr. HARGIS. Yes, sir. This bill, Senate bill 2012, came to our attention only in the middle of last week. Prior to that time we knew that there were some proposals before the Senate Committee on Agriculture, but we were not conversant with the character of the measure.

It is an impossible thing for anyone from the Southwest to come here and say to you that agriculture in that territory is in good condition. The farmers are not in good condition. They are possibly in somewhat better shape than they were a year ago and two years ago, but the general condition there has not been relieved completely.

We in the West are very anxious that it should be relieved. We hope that it can be accomplished in a fashion that will not too greatly disturb trade conditions. I do think that primarily the grain exchange is of very little consequence to the Congress or to the people as a whole unless it does a real service, that is, what affects the grain men or what does not. In other words, his relation to agriculture as a whole is such as to make him an insignificant con-

sideration, unless the institution that has been built up by these grain men is necessary to the economic handling of farm products.

This bill seems to me a very revolutionary one, and I don't believe, although I may be wrong, that there has been anything in our history that is so far-reaching in its trend toward nationalization as this proposal before us. I recognize the fact that as this bill is framed a sincere effort has been made to bring the agricultural dollar to the same purchasing value as the dollar of the other people of our country. Whether it can be successfully accomplished under this measure without very seriously disturbing general trade conditions over the country is a thing I very much doubt, and in fact I believe that the train of legislation that it will open up, the appeals that will come to you from other sources, will later on make it seem that this is an unwise measure.

To begin with, as Mr. Gates stated to you the other day, it puts the handling of grain through this commission in the hands of a very few men whose obligations would be extremely heavy, and it does not say they must do certain things in so definite a way as to make it an order. It leaves it to the element of personal judgment as to when they shall sell this grain, and the only absolute adjuration is the purchasing, and on that you have allowed a 10 per cent leeway for some reason with which I am not acquainted.

I can state to you frankly that no futures market can possibly exist under this bill. I believe what you gentlemen will have to determine is whether or not the futures market is desirable. If it is desirable and necessary, then this bill must not be made operative unless it is enough better than the present system to justify discontinuance of the futures markets.

It is true that some of the organizations in the grain trade can, after a fashion, live under this bill. There will be use for storage houses, and whether under the administration of the measure the Government took over and operated the houses themselves, as they may do under this measure, or are inclined to permit private capital invested to handle the grain for the Government, as they did under the grain corporation and food administration period is optional but under the last mentioned plan, those houses could be continued; but no man can independently be a grain merchant, and no miller can independently be a miller under this measure. The utlimate effect of this bill, as I see it—and I am perfectly sincere in making this statement to you—is that almost immediately after its passage you will find it necessary to change the name or change the function of this corporation and make it the agricultural corporation, because it will immediately become necessarily a domestic as well as an export institution. It will have to.

The speculative market will necessarily be discontinued, for the reason that you can not have future trading where arbitrary price changes are made every 30 days, month to month, 12 times a year, and are made on the ratio to the all-commodities price, and no trader can know in advance what it might be. He will have no means of judging, as an investment, what the value of grain may be 30 days hence.

I have heard it stated before the committee that the fluctuations would be very, very small, and for that reason there would be no great hazard in the handling of the business. The table published

in the Congressional Record of January 16, 1924, does not indicate that to be true.

In the Kansas City market, the first fluctuation mentioned, the calculated price, that is the calculated value of wheat if this ratio of agricultural products to the all-commodities price, would have shown from January to February a fluctuation of 11 cents per bushel. Eleven cents per bushel means 50½ cents per barrel for wheat as translated into flour.

The CHAIRMAN. Do you take that from that table?

Mr. HARGIS. It is stated right here in this table; yes, sir.

The CHAIRMAN. Who supplied that? What is that from?

Mr. HARGIS. The Congressional Record.

The CHAIRMAN. I know, but who put it in there?

Mr. HARGIS. Senator Dill.

He says:

I ask unanimous consent to have printed in the Record four pages of tables prepared by the Department of Agriculture, showing what the effect would have been on the price of wheat if the export commission and corporation had been created.

The CHAIRMAN. How did that go—up or down—during that month?

Mr. HARGIS. In January the calculated price was to have been $1.72; February, $1.61. That is, for wheat at Kansas City. For all wheat, that is, taking the country over, the first two figures are $1.821 and $1.716, or a fluctuation there of approximately 11 cents.

The CHAIRMAN. How far is that carried out? Just to February?

Mr. HARGIS. No. They have calculated it for each year, 1921, 1922, and 1923, down to and including November. But the point I make is this, that during the entire life of the present May wheat delivery the fluctuation has been only 10¾ cents at Chicago, the lowest price being $1.03⅞, the maximum price being $1.14⅝. The market at the present time, or a day or two ago, was within about a cent and a half or a cent and three-quarters of the top. Under ordinary trading, as existing and regulated under the Capper-Tincher bill, the grain futures act, with your Government officials at each of the markets, this trade, this hedging or insurance proposition, has gone on with practically no price disturbance, but with a stable hedging market. As I recall it, when the Agricultural Committee had before it bills proposing to regulate the grain exchanges, it seemed to be the opinion of the members of the committee that it was desirable that wide fluctuations, if possible, be avoided, and this year certainly there have not been violent fluctuations.

The CHAIRMAN. Might I interrupt you there. As you say, one of the objects of that bill was to avoid wide fluctuations. Do I understand you to say that this condition which apparently exists now has arisen under that bill?

Mr. HARGIS. The condition exists and the bill is in effect. Nobody could safely venture an assertion as to what effect the bill has on the market at the present time. The Secretary of Agriculture is in possession of figures indicating the trade volume in each market each day, and it appears to me that he would be the best situated to answer that question.

The CHAIRMAN. At least it has not brought about demoralization, has it?

Mr. HARGIS. The market is not demoralized, Mr. Chairman.

The CHAIRMAN. It has not ruined your business, for instance?

Mr. HARGIS. No; it has not ruined the grain business.

The CHAIRMAN. Was not that one of the objections that the grain people made when that bill was pending, that it was going to ruin them?

Mr. HARGIS. I think the bill was modified from its original verbiage by amendments, by conference, by discussion before your committee and before the House committee.

The CHAIRMAN. Oh, we amended it in several particulars, yes.

Mr. HARGIS. I am not prepared to say to you that it is a good bill or a bad bill. I do not believe the bill has been in effect long enough to justify me in hazarding an opinion on it. I am certainly not in a position to criticize it. Neither am I in a position to commend it.

The CHAIRMAN. Whenever we have legislation pending here looking to the regulation of the railroads or the grain business, I think it is fair to say that those two businesses always protest against it, always see ruin coming, always scare and prejudice them for fear we are taking steps that may bring about their destruction, but the enactment of various laws, as far as I am able to observe, has not resulted in ruin, and I think they are sometimes admitted to be very beneficial after a while. Now, when you are conscientiously trying to do what is right, you are shocked, lots of times, that men with long experience in certain lines of business tell you, "Why, this is going to ruin a lot of business men and is not going to accomplish for anybody any benefit," and I can not help but look at the testimony given in opposition to this bill somewhat in the light of past history and wonder if these prophecies are going to turn out like the prophecies they have always made against other ventures of this kind. Congress is trying to remedy what I think is admitted to be a bad condition.

Mr. HARGIS. Personally, I would not be willing to venture any criticism nor commendation of the bill, because, as I stated, it would be purely guesswork on my part as to what might have been the price level or trade volume if the measure had not been in effect. What has influenced that condition I do not know, but we are at least operating under it, and at least also the fluctuations during this past year have been moderate, possibly due to natural conditions. It is a physical impossibility for anybody to say what might have been.

I would like to refer to resolutions——

Senator HARRISON. Before you leave that, what do you consider to be violent fluctuations?

Mr. HARGIS. It depends altogether on conditions that surround it. During the war period we had very rapid and violent fluctuations when the large orders came in to a congested market.

Senator HARRISON. What do you call a violent fluctuation? How many points?

Mr. HARGIS. You mean in one day?

Senator HARRISON. Yes?

Mr. HARGIS. I would say that a price change of 2 to 3 cents in one day is a violent fluctuation—quite violent now. But the market will run along now with price changes of not more than one-half to three-quarters of a cent, and rarely more than a cent during a day (that is, from low to high), with an average only fractionally away from the price of the day before. You can see in the long period in which we have traded in May wheat there was only an extreme fluctuation of 10¾ cents. There could not have been anything violent in that.

The Millers' Club of Kansas City asked me to read into the record on their behalf the following communication, which is addressed to me:

THE KANSAS CITY MILLERS' CLUB,
Kansas City, Mo., February 2, 1924.

Mr. B. L. HARGIS,
Kansas City, Mo.

DEAR MR. HARGIS: In your appearance before the Senate Committee on Agriculture, will you be good enough to see that the following resolution expressing the opposition of this organization to the McNary-Haugen bill is made a part of the record.

Resolved, That the members of the Kansas City Millers' Club, representing flour mills capable of grinding about 350,000 bushels of wheat per day, with a capital investment of more than $35,000,000, are all opposed to Senate bill No. 2012, by Senator McNary, for the following reasons:

It proposes class legislation for the benefit of some of the people at the expense of all others.

It would make the United States Government a formidable competitor of all commercial agricultural exporting firms.

Its administration would be so complicated and difficult as to be practically impossible, and chaotic conditions in the marketing of agricultural products would certainly result.

It would make the Government paternalistic to a high degree and amount to Government interference with private business to an extent beyond all reason in time of peace.

It would certainly be very harmful to the producers of agricultural products instead of helpful, as intended.

Very truly yours,

B. S. STERLING, *Secretary.*

Approved.

H. G. RANDALL, *President.*

Mr. HARGIS. The Southwestern Millers' League comprises the mills located in the western half of Missouri, in Texas, Oklahoma, Kansas, and Colorado. On account of their board being very widely separated by distance, it was impossible for them to get together for any conference until after I had left Kansas City, but after my arrival here I received the following wire, stating that they were unable to reach Mr. Moses, who is the president of the Southwestern Millers' League:

Other officers of the Southwestern Millers' League heartily approve resolution adopted by the Kansas City Millers' Club.

In order to know just to what extent I am reflecting to you manufacturing interests; that is, the milling interests, which we all must recognize as one of the necessary instrumentalities that is, probably above all others, important to the producer and consumer of this country naturally as the body of men who translate wheat into flour, and who, of course, give employment to a large number of men, the league territory covers Nebraska, Ohlahoma, Texas, Colorado, Missouri, and Kansas. The daily capacity is 250,000 barrels; approximate capital investment, $75,000,000.

C. V. TOPPING, *Secretary.*

That 250,000 barrels of flour, as translated into wheat on the usual rough basis of 4½ bushels to the barrel, means 1,125,000 bushels per day which these mills are competent to grind. They feel that under this bill it would be a physical impossibility for them in any fashion to hedge the grain which they buy against forward sales, or to hedge forward sales in excess of their stocks of grain, or to protect their unsold flour stock. There is no possibility on earth of an open

futures market existing under this measure. I think you gentlemen decided that a hedging market is necessary, that you approved it in passing the grain futures act, after mature investigation. When anything comes along which arbitrarily sets up a high or low or fixed figure which changes every 30 days and says this shall be the price, the price of wheat shall be reflected on this basis, it eliminates every question of personal judgment, and the only thing a man could do would be to avoid investment and then simply guess as to whether the all-commodities price would be higher or lower, and the ratio price would reflect a higher or lower figure to the producer for the next 30 days. It would be purely a matter of guesswork, and there would be no logic in it.

I have heard it asserted before the committee—not before this committee, but I believe in one of the committees, possibly of the House—I heard some member ask the question if it would not be possible for a smart man to discern the trend of prices by his general knowledge of all commodities. I think that would put an unusual burden against the intellect of any man. It is hard enough for him to discern successfully what the up or down value of one cereal might be, and when you add to that the difficulty of keeping in line with the trend of 404 others which, as I understand it, is the number on which the all-commodities price is based, it would put him under a burden that he could never solve.

The CHAIRMAN. You think it would be difficult to work out what the price would be?

Mr. HARGIS. I can not conceive of any man, Mr. Chairman, being able to tell the trend of prices on 404 commodities for 30 days.

The CHAIRMAN. But at least everybody would know what the commodities were. The Agricultural Department or this commission would have no advantage over anybody else, would they?

Mr. HARGIS. No.

The CHAIRMAN. Everybody would know how they found the price.

Mr. HARGIS. They find it 15 days after it happens, under this bill.

The CHAIRMAN. Yes, but it is a mathematical proposition. Anybody else could figure it out.

Mr. HARGIS. I presume they could if they had the statistics that the department has, and the agencies that the department has for securing information; but I assume that the department here has more statistical information than any coterie of citizens in the United States. But the point I am making is that you can not have a future trading market if you eliminate human judgment as to what the price fluctuation would be.

The CHAIRMAN. The point I want to bring to your attention—and I am doing this for the purpose of getting all the light there is, and if it is critical it is certainly meant to be in a constructive sense—that if you or I wanted to figure out the ratio price we would have access to the figures. The Department of Agriculture will not conceal these figures.

Mr. HARGIS. Oh, no.

The CHAIRMAN. They are published, and we all have opportunity to know from day to day all that they know, if we want to.

Mr. HARGIS. Oh, yes.

The CHAIRMAN. There would not be anything covered up.

Mr. HARGIS. Oh, no. I did not mean to convey anything of that sort. But it takes the Department of Agriculture from the 1st to the 15th of the month to get these figures together in such shape that it can tell you what the price was last month. They are given until the 15th of the month under this bill to name the price. There are 30 days when no miller and no merchant would know what the next all-commodities price would be.

The CHAIRMAN. In the meantime this corporation probably has been buying on the market. How would they know what to buy?

Mr. HARGIS. You mean this export corporation?

The CHAIRMAN. Yes.

Mr. HARGIS. They don't make any purchases under the bill unless the basic agricultural commodity drops to 10 per cent below the ratio price.

The CHAIRMAN. Yes; I understand, but they have to know that when they buy, in order to know when to buy and what to buy, and they must know what the price is.

Mr. HARGIS. Why, certainly they know what the price is.

The CHAIRMAN. Why could not everybody else know?

Mr. HARGIS. I don't imagine that any man would be hazarding his money against what might be established 15 days after a trade was consummated as the proper ratio price in the reflected price.

The CHAIRMAN. Do you mean to tell us that under this bill, for instance, if you bought wheat on the 2d day of February you would not know what you would have to pay for it until the 15th of February?

Mr. HARGIS. That is the way I read the bill. What you could sell it for in the next price period.

The CHAIRMAN. Then, there would not be any such thing as buying the wheat and knowing what the price was?

Mr. HARGIS. Not absolutely. Am I not correct in that, Senator McNary? Is it not the 15th of the month that they publish the price?

Senator MCNARY. No; I don't think you are correct.

The CHAIRMAN. I don't think you are.

Senator GOODING. My understanding is that that price is made about 30 days in advance, from one month to the other, so that he is perfectly protected in what he does buy, and he has the fluctuations to meet at the present time. This would stabilize the price each month.

Mr. HARGIS. Senator, if you will permit me, before you came in I stated to the other gentlemen of the committee that the total fluctuation on May wheat in Chicago from first to last, present May future delivery has been an extreme of only 10¾ cents.

Senator GOODING. Yes; I know it has been very little in the last six months. I have been watching it with a great deal of interest. I have wondered why it worked so nicely this year.

Mr. HARGIS. In addition to the very slight fluctuation there, I would like to call your attention to the fact that under the Department of Agriculture's figures, the first figures they quote would have shown a month to month fluctuation of over 10 cents.

Senator GOODING. Yes. I am not going to ask you to repeat anything that you have said. There is so much to do here that I don't want to take up the time.

Senator McNARY. Your whole opposition from the millers' standpoint is based on the theory that it would destroy the futures trading market?

Mr. HARGIS. From the millers' standpoint?

Senator McNARY. Yes.

Mr. HARGIS. Here is the point, Senator McNary, as Mr. Loring testified the other day. The millers' flour sales go sporadically in waves. At least the trade does. They have to accumulate large quantities of wheat. They make large sales in one day. Those sales can not possibly be covered in the actual wheat at the time they make them. They have no possible way of doing that, but they can go on and have their plan of milling laid out three or four months in advance, laying in a surplus for their future business by the hedging process.

Senator McNARY. And that feature is involved in the futures trading market?

Mr. HARGIS. It is involved in the futures trading market.

Senator McNARY. And that is the sole opposition from the millers' standpoint to this bill? Is that right?

Mr. HARGIS. You understand, I am merely a carrier for the millers, because I am not a miller myself; but that is their present objection, and they feel that once the Government has undertaken this work there is no way on earth they can acquire these stocks to make their sales, because of the great risk involved, without exacting larger profit than is now necessary.

Senator McNARY. You don't pretend to convey the idea that there is anything in the bill which would prohibit a man going into the option market at any time and acquiring all the futures he wants in flour?

Mr. HARGIS. That is quite true, but there would be no futures.

Senator McNARY. You might not be in the same favorable position you are in now by reason of trading in futures, but you say that is their only objection?

Mr. HARGIS. Yes. That is what they want to be assured of, absolutely, against loss on their stock. You can see that to a miller or to a grain merchant, for that matter, a fluctuation of 1 cent per bushel is a very vital factor in his sales price, considering the huge amount that he carries. To these millers that daily grind or have a daily grinding capacity of 1,125,000 bushels, you can see what it would do to them. There are no prices calculated that show as little as that (1 cent) except for one three-month period—no reflected price. If the price changes, we will say, 3 cents or 2 cents from one month to the next month, the reflected price under the ratio figure, then all the profit is gone and a loss is incurred.

Senator McNARY. I understand the millers' viewpoint entirely. We had that in the hearings on the Capper-Tincher bill. The farmer himself takes a chance, does he not, on a fluctuating market?

Mr. HARGIS. Yes; he takes his chance on a fluctuating market.

Senator McNARY. You think if you had to assume the same risk that the wheat growers assume by reason of fluctuation you millers would all go out of business?

Mr. HARGIS. I am not a miller; I am a wheat grower myself.

Senator McNARY. I would like to have your comment on that.

Mr. HARGIS. What was your question?

Senator McNARY. Read it.

The REPORTER (reading):

You think if you had to assume the same risk that the wheat growers assume by reason of fluctuation you millers would all go out of business?

Mr. HARGIS. Why, undoubtedly the millers would go out of business if they had to assume the same risk that each individual wheat grower does. You must understand that, compared with the wheat growers, the millers are few in number and have very large capital investment in the milling business.

Senator McNARY. Do you think there would still be sufficient inducement to invite capital so that we would still have wheat ground into flour?

Mr. HARGIS. Do you mean invited into the milling business?

Senator McNARY. Yes.

Mr. HARGIS. No; I don't believe it would respond.

Senator HARRISON. What percentage of the millers now engage in hedging?

Mr. HARGIS. This would be conjectural on my part. I have not made a survey of the situation, but the millers are known the world over as merchants and not as speculators. By that I mean that they hedge their forward sales, hedge their stocks. They try to keep in balance. That is supposed to be the general practice of millers, and I have no information to the contrary.

Senator HARRISON. You would not venture a guess, then, as to what percentage of millers hedge?

Mr. HARGIS. It would be a guess, therefore I do not like to state. I believe to a large extent, except as I have stated.

Senator HARRISON. Would you venture to state that producers hedge?

Mr. HARGIS. In the Northwest I understand it is quite general. In the Southwest it is not so general.

Senator HARRISON. A larger percentage of millers hedge?

Mr. HARGIS. Oh, very much greater.

Senator McNARY. You mean by producers that grain growers hedge?

Mr. HARGIS. Yes, sir.

Senator McNARY. How does that work?

Mr. HARGIS. If a farmer has an acreage in wheat and has prospect of a good yield, if he thinks the price has reached a point as high as it will any other part of the year, he has the same opportunity to sell futures against it as a grain operator or miller. When he has harvested his wheat supply, I have known them to do this, to feel that wheat at harvest time is too low, and might be higher later in the year, and they then frequently sell their wheat in order to avoid shrinkage, interest charges, and will buy a like amount in some future against it, holding that simply as an investment, and it releases, of course, a large part of his actual investment in his wheat stock.

Senator McNARY. When did the practice of hedging develop in the grain trade?

Mr. HARGIS. Well, I am unable to say, but long ago. I have been in the grain business about 26 or 27 years, and it has been in existence ever since I have been in the business.

Senator McNARY. For many many years, covering many centuries, we have had wheat ground into flour without the system of hedging

at all, or dealing in futures. That has been developing for the last three decades, I would say. I want to say in my judgment you place too much emphasis on that fact that if you can not hedge and deal in futures, the millers will go out of business. I do not think they would do that at all.

Mr. HARGIS. I don't say that the millers would go out of business. I said that under this bill they could not make their forward sales, they could not handle the volume of business that they are now handling; they would remain in business only by subtracting from or exacting in the price a certain additional profit necessary to insure them against the risk. Now, while we have no figures on which to base it, I do not believe that it can be proved that the miller of the early day did not exact a sufficient amount to protect himself against any market variations, and we know that 50, 60, or 70 years ago the mill was at the crossroads or on the stream, and it was a water mill, and there were little mills around the country. You then did not have your transportation developed to a point where the stocks of grain were assembled at terminal points for the protection of the quality and to be easily accessible to big mills. The growth of the grain industry, storage, and milling, has been a perfectly enormous one, for either one of two reasons, market for grain on account of transportation, its accessibility to water, etc., or on account of nearness to great grain-producing fields and storage plants. We all recognize the fact that the producer finds it desirable to get his grain out of the way of the weather, to be ptotected from the weather, by getting it in elevators at some point. He has much less likelihood of grain disease. It is a protection to the grain. We know there is wastage when grain is allowed to remain in the shock too long. Even stacked grain deteriorates far more rapidly than grain that has been properly binned. It would be purely argumentative to say what the profit would have been 50 or 60 years ago, because I was not here, and the mills were much smaller then, and they were a community interest rather than a national interest at that time.

Senator MCNARY. Your whole theory is that the reason the millers can not hedge is because you destroy the grain exchanges?

Mr. HARGIS. I would not say that the grain exchanges are completely destroyed. I would say that futures trading will automatically stop.

Senator MCNARY. That is where it is all done, is it not?

Mr. HARGIS. Yes, sir. The organized trade, naturally.

Senator MCNARY. Admitting for the purposes of this question that if Congress should pass this bill it would eliminate trading in futures on the grain exchange, could you not cover your operations by going directly and buying from the elevator man or the large farmers?

Mr. HARGIS. Where would the elevator man get his?

Senator MCNARY. He does not have to go to the exchange to get his grain. He gets it from the producer.

Mr. HARGIS. I understand that, naturally, but you would have a condition of meeting the trade relation only one month at a time under that bill when, as a matter of fact, the crop movement—grain and flour in this country, wheat and flour is almost 200,000,000 bushels from first to last in the revolving, flowing line.

Senator MCNARY. I know that is true under present conditions, but all those things are dispensed with now.

Mr. HARGIS. I have not the least disposition to question your seriousmindedness, neither am I here to tell you or any other Senator that if you honestly believe that futures trading should be eliminated for the benefit of the country, it is not your duty, then, to act in such manner as you believe will stop that.

Senator MCNARY. I am not arguing that. I think that sometimes too great emphasis is placed upon the momentary disturbance of certain people, but I don't believe it will destroy or tear down. It is the purpose to build up, for the benefit of the whole people. That is the purpose of the bill. It seems to me it is to the interest of you men here to-day to have agriculture put upon a much higher plane than it is at the present time.

Mr. HARGIS. That unquestionably is true, and it is particularly true of everyone who lives immediately adjacent to the agricultural area. You take Kansas City, for instance. The entire prosperity of that city as a whole is dependent entirely or principally, in high per cent I would say, on agriculture. We are not a manufacturing city. We are dependent upon agriculture. What is good for them is best for us.

The CHAIRMAN. Mr. Hargis, in your consideration of this bill the danger is the big fluctuations from month to month, in your view?

Mr. HARGIS. Yes, sir One danger.

The CHAIRMAN. Assuming that that be true, that that is the danger of the bill, and still assuming that the bill as a whole will accomplish some good, would it not be possible to amend that? If this price, by being fixed from month to month, would bring about an injury, how would it be if it was amended so that it could be fixed once every season, let us say? That would certainly stabilize the commodity, would it not?

Mr. HARGIS. I think there is no question that if some measure were to be passed that had the intent of this one, with practically the same verbiage as this, the less frequently you change the price the better it would be for the country as a whole. In other words, this bill is twelve times as bad as an annual price fixing.

The CHAIRMAN. That is what I was coming to. Suppose we amended the bill and directed this commission in the same method that is now in the bill, in order to equalize the purchasing power of the producer's dollar, to make this calculation once every year on this basis, fixing it in advance, as far as it would be practicable to do that. They would know about what the crop was going to be, what the export part of it was going to be, and so on. It would, of course, not be definite. It would be an estimate, but an estimate that would be fairly accurate, I think. Then let them fix it, say, on wheat for 12 months instead of one month. What would be the result then?

Mr. HARGIS. In the first place I am discussing now a situation on an enactment that I believe to be unsound.

The CHAIRMAN. I understand that, and I am trying to lead you to the point to give us some constuctive criticism that would help the bill.

Mr. HARGIS. Now, you premise your question, too, Senator Norris, on the proposition of obtaining the probable exportable surplus a year in advance, which is a physical impossibility. Those estimates are extremely hazardous. The crop of the State of Kansas alone suffered a variation this year of approximately 40,000,000 bushels. In two years the Canadian crop was——

The CHAIRMAN. Between what dates? Can you give us that?

Mr. HARGIS. I can not. The Department of Agriculture will have the figures, and Mr. Smith is here.

The CHAIRMAN. That was probably one extreme, when they planted the acreage, or about the time when they were planting it.

Mr. HARGIS. No; I think not. Of course, there was a large abandonment which can never be forecast, but it was later in the season that the sharp reduction was made.

Very recently the Canadian Government put out figures I believe of 474,000,000 bushels from their wheat yields in their Provinces, and at one time it went out as something around 400,000,000 bushels, and prior to that there were at times private estimates of 500,000,000 and over. There were various esitmates, varying 100,000,000 bushels on the Canadian crop. If black rust hits the Northwest you can change the American production 100,000,000 bushels in three weeks.

The CHAIRMAN. I understand that, and I conceded all that.

Senator MCKINLEY. Suppose that the 1st of October was the time fixed. Would the production be pretty well known then?

Mr. HARGIS. In this country the 1st of October, of course, would carry you through your spring-wheat yield. Your winter wheat seeding for the next year would be in progress. The American crop would be harvested, there is no question about that, but it does not make much difference as to when you try to prophesy the future for 12 months, there are so many conditions entering into it that I do not believe it would be a matter of accuracy.

Senator MCKINLEY. Well, but you know on the 1st of October the amount of the wheat production in the world north of the Equator.

Mr. HARGIS. No; I don't understand that you would have anything from Russia at that time.

The CHAIRMAN. Well, but you would at least have an idea——

Mr. HARGIS. You would have a better idea, Senator Norris, the 1st of October as to what this country has grown than you would the 1st of July, because then you would be seeding winter wheat, but not the spring wheat acreage the 1st of October, you would be figuring on the exportable surplus for one year from that time, but you would not have the remotest idea of what the spring wheat seeded acreage would be the following spring.

The CHAIRMAN. You would have somewhat of an idea, yes. You could make an estimate of it. It seems to me, without some reason shown to the contrary, that it would be a safe proposition to fix the crop for one season at a time, and it would have in it the entire elimination, practically, of fluctuation for every man, whether he is dealer, grower, miller, or anybody else. He could make his calculations accordingly. Maybe the 1st of October would not be the right time. It might be some other time. It might be the 1st of September. But why should we decline to do that because there are some uncertainties in it? After all, those uncertainties, if we fix it in October or September, pertain to the crops in other countries than our own.

Mr. HARGIS. Certainly

The CHAIRMAN. Now, suppose they produce more and the world crop is larger. Our object here is to regulate the price in this country.

Mr. HARGIS. I understand that.

The CHAIRMAN. If we did not have that year any exportable surplus it would not make a particle of difference what the world price was.

Mr. HARGIS. No. That is your ideal situation.

The CHAIRMAN. If you had an exportable surplus, and if it went higher than usual, the growers for whom this bill would be enacted would have to foot the bill anyway. It would not be the grain dealer.

Mr. HARGIS. I know that, and I am wondering if that is good for them.

The CHAIRMAN. Maybe not, but that is what they are asking, and that is what this bill provides. At the present time we are only discussing the price-fixing proposition, in order to prevent this fluctuation that you say injures the millers.

Mr. HARGIS. Yes, it injures the millers, and I can not see that it would particularly benefit the producer; but in addition to that you have a 10 per cent leaway there before this organization begins to function.

The CHAIRMAN. Yes, but we are assuming it has begun to function, and it has fixed the price, and suppose we say they fix the price at $1.60 a bushel for No. 1 wheat at Chicago—and they can figure out the other differentials and the freight proposition; it is only a matter of mathematics—and that price we are going to maintain for 10 months.

Mr. HARGIS. Why not make it 12 months?

The CHAIRMAN. All right. I am just assuming that. Then make it 12 months or 6 months or 9 months, whatever you please, but make it long enough so you are going to eliminate fluctuation. They will only buy when wheat drops below that. If wheat goes above that they stay out of the market entirely, but they will go in enough to see that they will maintain that wheat up to that price. When they get through with the season's work they will have a lot of wheat they have bought to keep this market price up, which they have got to sell abroad, or if the price goes way up here they may sell it here.

Mr. HARGIS. Who is going to buy that wheat?

The CHAIRMAN. Just let me finish. What they lose if they sell it abroad is going to be paid for by the farmers of this country.

Mr. HARGIS. I understand that.

The CHAIRMAN. It is charged back pro rata.

Mr. HARGIS. Yes. That is your equalization fee.

The CHAIRMAN. Yes.

Mr. HARGIS. Plus the operating cost.

The CHAIRMAN. Yes.

Mr. HARGIS. Who is going to buy this wheat between the time that it leaves the indicated ratio price and hits a point 10 per cent below, which is the first point at which this corporation is to function?

The CHAIRMAN. Now you are getting away from the point that you were discussing, about this fluctuation. Again you come to a point in the bill that may need amendment. We want to be constructive about it. Maybe we ought to have no such fluctuation. Maybe they ought to commence immediately. I am not saying.

Mr. HARGIS. Neither am I.

The CHAIRMAN. It might be a good thing to amend that, but what I am trying to reach is if we are going to do anything we would like to have the best judgment of everybody that is connected with

this business from the time the wheat is grown until the product is eaten, as to any imperfections that are in it. This is not my bill. I don't think this is the best bill myself, but if this should be passed, I want to help to make it practical and to criticize it constructively. That is what I want you to do.

Mr. HARGIS. Well, that is what I am attempting to do. You have a very big proposition. Everybody recognizes that. The man who goes in here to assist in rehabilitating agriculture is primarily undertaking a fine thing, but the method to be pursued is something that I am not clear on, except that I do know when you encounter a different system of economics than has ever been introduced into a democratic form of government you are undertaking a great responsibility.

The CHAIRMAN. Yes. We all look at that always with suspicion. We are always afraid to bring about a change, and properly so. So we ought to look at it with a critical eye; and if we all agree, which I think we do, including yourself, that we have a condition that ought to be remedied, if it can be, we ought to, of course, keep our eye toward the ultimate object we are trying to attain, and if the method is wrong here or there, let us change it, so as to bring it about, always, however, with this proposition in mind, that if we are undertaking an impossibility we want to know it. If there is no way to do it, we might just as well throw up our hands and quit. We are going on the supposition that we want to get a remedy if the condition can be remedied.

Mr. HARGIS. Well, as I understand it, the Norbeck bill provides for immediate relief of a good many matters.

The CHAIRMAN. Well, now, the Norbeck bill, I think I ought to say to you, has had no real opposition before this committee. Nobody, however, offers that as a permanent solution.

Mr. HARGIS. That will not raise the purchasing power of the agricultural dollar.

The CHAIRMAN. That is only to meet a condition that, compared with the whole country, is more or less local, and I don't think those who are behind it expect that that will remedy the farmer's situation as a permanent proposition.

Mr. HARGIS. The thing that puzzles me, the thing that I feel is wrong about this thing, is that it arbitrarily sets up an organization which is supposed to be in the care of some five or six men, a superior organization to any ever existing as to judgment and fact finding. The bill says that they may sell grain when it reaches the ratio price. It does not say they shall. It says when it drops 10 per cent below the ratio price——

The CHAIRMAN. I think it is fair to assume that if it is advisable to have this bill at all we ought to give them the same authority you have. If we are going to set up some agency here to deal in grain it must necessarily have very wide authority, and they must have a right to use their discretion, and we have got to depend on that discretion for the results, and we do not want to encircle them about by legal restrictions so that they will be handicapped when they come in competition, if they do, with the private dealer. We want them to have just as wide a latitude as anybody could have.

Mr. HARGIS. If a bill is to be enacted attempting to perform the service that this bill is constructed to perform, it must of necessity

go far beyond the measure contemplated and create a condition identically similar to the war measure of the Food Administration Grain Corporation. There is not any question about that. There is not any other way that can be handled. Then the way your miller would function would be as he did during the war. Your warehouseman would function as he did during the war. The other instrumentalities in the grain business would cease to exist. The miller, under that condition, would, from calculations at that time, manufacture flour on a certain basis, no doubt being limited to a certain percentage of return; the warehouseman, either at the country point or at the terminal point, would get a certain return for his space; and the licensing system of country dealers would have to be invoked to prevent any abuse in the use of this scrip, and you would have complete Government introduction and operation of the basic agricultural commodities of the country. If that is a sound proposition in time of peace, this bill is sound.

If that is not a sound proposition in time of peace, this bill is unsound. But I am as certain as I sit here that with the introduction of that bill there is no other leeway for the United States Government than to take over, just as they did in the war, the operation of this business, and that there is no other conceivable possible plan. In the administration of it they could designate certain existing agencies as their agents, and it would entail the endless checking and rechecking and the wide extension of authority, and it would never be made to work without a licensing system.

The CHAIRMAN. Assuming that is all true, now; if the Government would have to go into it to the complete extent, which would be a thing very much to be avoided, if it were possible, yet the private operation of these things has brought about the practical ruin of the farmer, and if we can not save him in any other way than to put the Government in, even though we want to keep the Government out, had we not better put them in, if we are confronted with that proposition?

Mr. HARGIS. That is a matter of national policy.

The CHAIRMAN. I know it is.

Mr. HARGIS. And that, of course, would rest with you men, and not with me.

Reading from the special report of the Secretary of Agriculture to the President, he says, on page 51 (and this was issued in December of last year):

> When general deflation of prices began in the summer of 1920, wheat prices broke sharply, and have continued to decline into the present season. As a result, substantial reductions have taken place in both acreage and production of wheat. Nevertheless, the crop for 1923 is 781,000,000 bushels, or 13 per cent greater than the average before the war, and the acreage is about 24 per cent larger.

This is the last harvest.

> The corn acreage, which was replaced by wheat, has now recovered most of its loss, but is still slightly under the pre-war average. While there has been some reduction in cultivated crops, the total crop area of the country is still between 30,000,000 and 40,000,000 acres larger than before the war.

There is your trouble. When you get too many apartments in the city, rents go down.

The CHAIRMAN. I don't know about that.

Mr. HARGIS. Well, they either go down or remain vacant.

The CHAIRMAN. Well, I don't know about that, either, from what goes on here. When a new apartment house is put up they have got to raise rents everywhere, because that fellow has got to make something on his investment.

Mr. HARGIS. Well, I don't know about that. We have reached the peak of building at home, and there are vacancies there. Apartments can be had more cheaply. But the main point is this, to get away from the landlord, that when you get an existing surplus of any commodity, naturally you have a resultant decline in price.

The ideal condition in this country, as I see it, is under some plan for wheat acreage to come down to a basis where we raise enough for the United States and no more, then your price will go up to a proper level.

The CHAIRMAN. Now, I want to ask you as an expert grain man—you know more about it than I do—some questions about that surplus. I have been reading about this thing, and I read last night a book in which the author claims that the surplus of wheat was a myth; that while there was an apparent surplus this year, there would be a shortage another year; that year in and year out, taking a series of years with another series of years, we have consumed all the wheat that has been produced. Now, take it over a term of years, is not that true?

Mr. HARGIS. There are specific figures, if you care to get them, from the Secretary of Agriculture, who is better able to compile figures than I am. The total world crop, outside of Russia, is estimated at 3,400,000,000, which exceeds the production of last year by 300,000,000 bushels and the pre-war average by 500,000,000 bushels, excluding Russia. That is the Secretary's statement.

The CHAIRMAN. That does not reach the point I am trying to inquire about.

Mr. HARGIS. I could not answer that question, but I don't believe it is correct.

The CHAIRMAN. Is not this true, that if the world always produces a surplus of wheat, we would have, during the hundred years that have passed, enough on hand to last the world for two or three years?

Mr. HARGIS. Wheat does not last very long, especially when there is an overproduction throughout the world. You take into account this country, even with its storage facilities, and the wastage is very great, naturally.

The CHAIRMAN. What has become of this surplus that the world has been growing from year to year?

Mr. HARGIS. There must not have been an extreme surplus, because we know of the huge shortages during the war.

The CHAIRMAN. Exactly. What we have as a surplus one year is eaten up the next year, or within two or three years. It equalizes itself.

Mr. HARGIS. There is always a carry-over from crop to crop, and when you take the world, I presume they never have gotten an organization together which could accurately figure the world production or world consumption.

The CHAIRMAN. Don't you know, in a general way, now, taking the last hundred years, that if there had been a surplus every year we would have billions of bushels of wheat this year unless it has been destroyed?

Senator MCKINLEY. Might not this be the explanation, that when there has been a surplus of wheat it has been used in the place of roughage?

The CHAIRMAN. All right. No matter what it has been used for, it has been used.

Senator MCKINLEY. They can't afford to use that way.

The CHAIRMAN. That is leading up to a question I want to ask.

Mr. HARGIS. I would not want to tell you where the world wheat supply disappears invisibly. There is always an invisible disappearance of every crop.

The CHAIRMAN. Well, then, it has disappeared, and that is the explanation.

Mr. HARGIS. Your statement indicates that there was grown every year a surplus considerably above requirements.

The CHAIRMAN. Exactly, but there must have been some other year, or will be some other year when there will be a shortage greater than the over-production last year.

Mr. HARGIS. I would be glad to see it come along.

The CHAIRMAN. Well, has it not been that way through history?

Mr. HARGIS. There have been times when the wheat prices the world over have been high, of course. That is, high as a relative figure, high with relation to the prevailing figures of some years. I would not attempt to go back with you in statistics of the world's annual production year by year, because you know them, or they are available to you from the Department of Agriculture.

The CHAIRMAN. Yes. I have not looked them up, but just in a general way we all know this, that this surplus of wheat, confining our question to wheat, was used up in a series of years. Say in series of ten years (I think less than that, but we will take that to be safe) the world needs all the wheat it produces.

Senator MCKINLEY. It has not been consumed as food but has been used in some other way.

The CHAIRMAN. No matter how they use it, the surplus disappears.

Senator MCKINLEY. If you have cakes for breakfast and there is no sirup there, you use sugar.

The CHAIRMAN. Yes. It does not make any difference how you use it. You might feed it. It is used up, though.

The purpose of bringing this up is to ask you the question, could we solve this problem by providing, either by the Government or some Government assisted corporation, whenever we have a surplus, to buy it and store it, knowing through all history that there is a demand for it, and thus stabilize the price, and when there is a shortage sell it? Wheat, if you keep it dry, will keep forever, will it not?

Mr. HARRIS. I can not say how long it will keep.

The CHAIRMAN. I think we got some wheat out of the pyramids of Egypt that was planted and grew.

Mr. HARGIS. Is that so? A stock of wheat or stock of anything else in oversupply will ultimately perish, no matter where it is kept.

The CHAIRMAN. Somewhere this wheat will have to be kept. Somewhere it always has been kept. I know it has not been thrown away. There is elevator capacity to keep any surplus that has ever been produced in the past. The elevator capacity is sufficient to

keep the oversupply that we have this year. It seems to me that we would not have to increase that. We have the capacity already, and if we just go on this theory, that if we have too much this year we are going to have less next year, and we will keep it until next year and sell it, that would stabilize the price of wheat from one year to another, which, it seems to me, being one of the principal products of the world, would be an awfully good thing, both for the producer and the consumer and the dealer as well.

Mr. HARGIS. If you believe, Mr. Chairman, that we get a scarcity the world over at certain intervals, the period of scarcity ought to be mighty nearly at hand, because we have certainly had overproduction for several years now. We had the war stimulation.

The CHAIRMAN. We brought that about artificially; yes.

Mr. HARGIS. By propaganda and asking men to produce and produce.

The CHAIRMAN. They did it from patriotic motives.

Mr. HARGIS. Surely, but that acreage that was for patriotic motives placed in wheat, never has been returned to the grain to which it was originally seeded, and a great many acres have been reopened in Canada. They have the same thing to-day that occurred after our Civil War. The Canadian Government has put the veterans of the war in possession of farm lands at a very low price, hence they are opening up virgin soil and producing wheat of a fine quality, which is gradually approaching the American trade volume. We have not Russia rehabilitated. She has not come back with her food supply. Mr. Wallace stated—and this is a very interesting statement of his, particularly in view of the efforts which are being made to rehabilitate agriculture:

> The wheat industry of the United States is in a period of serious depression.

Then, a little further on, omitting a sentence which is not important:

> This condition of things has resulted from the decline in wheat prices, the relatively high level maintained in the prices of other commodities and services, and also from the maladjustments which exist in the wheat industry itself.

Then he goes on and gives that report as to world production which I just read you.

He says over here:

> The financial distress which has come as the result of these various causes is considerably aggravated by inefficient farm management.

Of course he concedes that to be merely incidental.

The CHAIRMAN. If there had not been any inefficiency they would have grown more wheat.

Mr. HARGIS (reading):

> The financial difficulties of many, in short, would be reduced if their farm business were operated along more efficient lines.

You understand I am merely showing various things in here that he mentions.

> It is important to bear in mind that the solution of present agricultural difficulties depends quite as much upon the efforts of farmers themselves as upon any Government action.

The natural result of this bill which has been brought before you is that you are likely to get an advance in acreage, and it seems that any advance in wheat prices, in consequence, will decrease consumption. The Secretary says that a reduction in the price to a certain amount by narrowing the margin between wheat flour and bread would no doubt increase the consumption, and a return by our public eating houses and dining cars to their pre-war custom of serving bread free with orders would contribute to the same thing.

The country has never completely returned to a normal wheat bread eating basis since the war. We got in the habit then of eating less wheat bread of our own flour varieties, and people never have gotten back to it. He says here:

> Prices paid at terminal markets reflect quite accurately the variations in quality of wheat. Prices paid at country points frequently do not.

This bill must go a great deal further than it does if we are going to have one.

I am sure I reflect the thought of the men with whom I come in contact, and a great many of them are producers of grain. In the Southwest I should say that the agriculturist desires first to have a condition confront him where he will not be bothered every six months with the renewal of notes. He asks an opportunity to meet his obligations at some time in the future, and to be permitted to go along and work out his own salvation. He is that type of man. The American farmer is, in my mind the most independent thinker and the most independent man in the country. He is an individualist purely and simply. You can not make a communist out of him. Pelople may attempt it, but he is not that type. He is a man who thinks for himself, and you will find as many different opinions as you go over the States as you find farmers. Now, whenever you take that away from him, that right to think, and force him into an involuntary pool, you may have gone too far for his own good; you may have done something that will mean his destruction. I am speaking of the Southwest because I have not an acquaintance in the Northwest, but that is the mental attitude of our men. I have been among them too much not to know it.

I know the attitude of the country banker. They have had some distresses there in banking circles, but I know of my own knowledge that the farmer in Kansas, Oklahoma and Missouri, while by not any means out of the woods, is in better shape to-day than he was a year ago.

The CHAIRMAN. The farmer would not be licensed under this bill. It would be the dealer.

Mr. HARGIS. What are you going to do with your scrip? The dealer and farmer would be licensed to keep him honest. Your license would have to be extended to all of them to insure that the proper ratio of scrip was accepted.

The CHAIRMAN. Yes.

Mr. HARGIS. To see that there was no juggling of it.

The CHAIRMAN. Yes.

Mr. HARGIS. You have that feature before you?

The CHAIRMAN. Yes.

Mr. HARGIS. You also have to think of the reflex on the consumer. Personally, I do not consider that so important as some men who have appeared before you, but it is a thing to be borne in mind.

Now, another thing that occurs to me as very difficult for you to solve, and one that I can not see but that must exist, when any one thing in any line in the country hereafter gets out of line, once you establish this system of nationalism, paternalism, indirect subsidy—no I will withdraw that "indirect subsidy" under this bill, because it is not an indirect subsidy. The charge is going back to the producer, and that relieves him of that charge, except that he is subsidized by having his grain to the Americans put upon a plane different than the others, different than his surplus, but you are taking away from him certainly as much as you are giving him financially when you put the American agriculturist in the position of receiving a gratuity, and as surely as this is enacted, in my opinion the inevitable uneconomic result will be that in 10 years from now, or 5 years from now, when your readjustment in labor comes, if there ever comes one, if there are eight or ten million men out of work they will have the same right to come to this Government and say, "We have no dollars to purchase with," or "We have few dollars to purchase with," and you must protect them.

The CHAIRMAN. Do you think this is a gratuity? Would you call it a gratuity?

Mr. HARGIS. I changed my remark from subsidy. If I used "gratuity" I selected bad English, but you are automatically raising your price to the Americans, we will say, 40 or 50 cents a bushel, whatever may be the reflected price.

The CHAIRMAN. Is not that on the same principle of the automatic raise in price to the man who makes the paint, for instance, by levying a tariff on it? What is the difference?

Mr. HARGIS. Well, one is a tariff, and you could build up a wheat tariff that would not automatically raise the price.

The CHAIRMAN. We are going to have a wheat tariff, of course, if this bill goes into effect. We would have to have.

Mr. HARGIS. That will have to be a variable thing to meet conditions from time to time, and I doubt if we can change it fast enough to meet conditions.

The CHAIRMAN. Why is not the levying of a tariff on paints, for instance, giving to the manufacturer a gratuity or bonus or whatever you want to call it to the same extent that we are proposing to give to the man who produces wheat?

Mr. HARGIS. Well, this country has been a protective-tariff country.

The CHAIRMAN. But it is conceded the farmer is not getting the benefit of it.

Mr. HARGIS. Yes; we will admit that.

The CHAIRMAN. If we are going to put everybody else on an artificial basis, he wants to be put on an artificial basis, and is there any other way we can do it.

Mr. HARGIS. You have a big problem on your hands. If mistakes have occurred or have been made in legislation in the past, tending to stabilize certain values and prices throughout the country, I don't think a further mistake will help adjust matters.

The CHAIRMAN. All right. If that is not the right way to do it, do you think we ought to go back and rectify the other mistakes?

Mr. HARGIS. One way or the other.

The CHAIRMAN. Then, would you repeal the tariff on paint, for instance?

Mr. HARGIS. I would prefer not to enter into a discussion of the tariff, because I do not believe I am qualified, in the first place, and that is a matter of national policy as to whether our institutions should have a tariff for revenue only or a tariff for protection purposes.

The CHAIRMAN. There is not any man in the world, in proportion to his business, that needs as much paint as the farmer does. I don't know whether he uses enough, but if he was financially able he would. He not only has to paint his house, but he has to paint his farm machinery and all his outbuildings, and ought to keep them in good order by the use of paint. Artifically we have made him pay, have we not, a greater price for that preservative then he would pay if we had not resorted to any artificial device?

Mr. HARGIS. Of course, if we had open immigration, if we allowed able-bodied men to come in here, if you allowed foreign goods to come into this country——

The CHAIRMAN. Well, that is another proposition, now. We will take that up, then, if you want to. If you don't want to decrease the tariff, would you repeal our immigration laws?

Mr. HARGIS. I don't want to suggest to you how you shall cure this, and I don't want to be on record as to whether I would repeal the immigration laws or not. If you let in foreign labor to compete with our own, labor would break.

The CHAIRMAN. Yes.

Mr. HARGIS. If you let in foreign goods to compete with our home products, prices would break on account of their cheaper labor. That is up to you gentlemen to decide as to whether you want to do that. I would not want to venture an opinion—the results would be a matter of national policy; I would not assume to say.

The CHAIRMAN. Here we have one class of our citizens, the farmers, whom we have left out in all this artificial adjustment. He says, "If you are going to put all the fellows I am to deal with on this artificial plane, by legislation, I want you to put me up there with them," and what are we going to do with them?

Mr. HARGIS. You have a big proposition on your hands.

Senator NORBECK. Do you think some better plan could be worked out than this bill?

Mr. HARGIS. Of course you men have given this thing very much more study than I have, and it seems to me presumptuous for a citizen who has not studied the whole of national affairs to come here and attempt to outline any plan. There are, we know, other suggested methods of correcting it, but whether they will work or not we do not know.

The CHAIRMAN. Heretofore we have tried to pass legislation similar to the bill that I have prepared that is pending now, and each time the forces opposed to that type of legislation, including the administration, with all their officials, have defeated our proposition by means of some other proposition. One was the loaning of money to the farmer, extending the farmer's note. The farmer was already more in debt than he could afford to be, or it might have done some good, but it is disclosed now, I think, by history, that it has not saved him. I think it is conceded that he does not want to borrow more money. He has borrowed too much now. He has to pay so much interest

that he can not stand the burden. Those forces that are now opposed to the bill that we reported before, that I have introduced, have gotten behind this bill, or a great many of them have. I ought not to ask this, perhaps, but for two or three years now we have been trying to remedy this situation, and it seems to me that it is up to the people who are criticizing it (and I am not criticizing you now) to point a way to us to get out of the woods.

Mr. HARGIS. Mr. Chairman, your acreage in wheat was increased during the war period from approximately 47,000,000 to a seeded acreage as high as 75,000,000. I don't recall exactly the harvested acreage on the last crop—fifty-eight or fifty-nine million acres, still considerably in excess of the pre-war production acreage. Now, this is a matter of fact: Whenever you cut your wheat production in this country to a point where there is merely sufficient for the American public plus seed requirements—and by sufficient for the American public I mean enough carry-over to take them from harvest to harvest, a fairly normal carry-over—wheat may go as high as the world price level plus whatever tariff wall you have constructed. Now, when you fix any ratio price—suppose the ratio price were $1.68 or $1.58. At the present time you have a tariff of 30 cents. Canadian wheat can be brought in here at the present time in competition with our wheat for American consumption. How could you maintain your American price level at $1.58 or $1.59 when you could not possibly get your American wheat above the world level plus the tariff, and how could you change your tariff quickly enough to meet that condition? That is one thing.

Senator NORBECK. That is a detail.

The CHAIRMAN. Yes; that is nothing but a detail.

Mr. HARGIS. Then you would do one of two things. You would in the former instance build a tariff wall so high that no other grain could get in here without its repeal, as a final barrier, and then your wheat prices could be maintained at your ratio level.

The CHAIRMAN. That would be on the condition that you did not produce a surplus.

Mr. HARGIS. Naturally, your domestic proposition will not work until after you have gotten rid of all surplus wheat.

The CHAIRMAN. All right. Now, let us assume that to be true; that we can not do anything for the farmer unless we reduce the production of wheat down to our consumption.

Mr. HARGIS. Yes.

The CHAIRMAN. Now, that would be a remedy provided you had the tariff, we will say. Now, let us see the condition the farmer is in. The farmer, the statistics show, has a greater acreage in wheat now than he had before the war. But is he to blame for that? Is he to blame for putting in so much wheat? He was almost forced into the wheat business. He was propagandized, he was regarded as a traitor, almost, if he did not enlarge his wheat acreage. He went into it mainly, I think, for patriotic reasons. He had to get new machinery. He had to plow up some of his fields in which he produced other things, and he went into the wheat business to the exclusion of everything else. In a great many instances where he was diversifying he sold his stock and went into the wheat business. He can not change that in a day nor in a year. He can not held himself. He has got to get back to it gradually. He is in such a

position that he must produce wheat, even though it is at a loss, or starve, because he is not equipped to do anything else. It takes years to get back where he was before. We put him there. Our Government got him there, either by coaxing him or by scaring him, but mostly, I think, by propaganda that it was an act of patriotism. He was patriotic and gave up all those other things and went into the raising of wheat and now he can not get back right away. If we have forced him into that position and he has sold his stock and bought his wheat machinery, he has plowed up his other crops, his meadows, and other things, he has lost his stock, in the meantime going in debt all the time, can not buy any more stock, or at least only on a very small scale, do we not owe him a duty, because we have put him in that condition where he is now losing and being sold out at tax sales, mortgage sales, and everything? What are we going to do for him?

Mr. HARGIS. May I ask you a question for a little more light? How soon does it seem to you, or how long a term would it take the producer to readjust himself to the domestic requirements?

The CHAIRMAN. Oh, in my judgment—I am only making an estimate—I should think it would take 10 years at least. Some of the farmers would not be able to do it in that length of time.

Mr. HARGIS. We have already had nearly six years since the armistice.

The CHAIRMAN. I mean 10 years from now. Some of the farmers are back now, maybe, and some will get back next year. They are all getting back gradually, but we can not say to the farmers, "You must not plant any more wheat; you must reduce your acreage so much," because he is not equipped to do anything else, and he has not the money. He has lost on this and gone in debt so that he has not the money to start out. If he is going into the stock business or dairy business, or anything like that, it will take him 8 or 10 years before he can produce.

Mr. HARGIS. You mean in the dairy business?

The CHAIRMAN. Yes.

Mr. HARGIS. You mean if he raises his own cows?

The CHAIRMAN. That is what he will have to do. He can not buy them.

Mr. HARGIS. We are in the sixth year since the armistice, from 1918 to 1924, but our acreage is larger than the pre-war acreage. The farmer was not ready in his own mind, and neither were most Americans, for the adjustment which came in price. The deflation period struck us unawares. They were all bulls where we should not have been bulls for the good of the country.

The CHAIRMAN. He is not to blame for that.

Mr. HARGIS. I will not say that he is any more to blame than some others, but others have taken losses of very large amounts. The mail-order houses, for instance. I know that Sears-Roebuck had to throw in vast sums of money to maintain them on their inventory reduction.

Senator NORBECK. That loss is simply a little reflection of what the farmer lost. Their farmer trade went down.

Mr. HARGIS. Unquestionably, but have you seen increases this year. Both Montgomery-Ward and Sears-Roebuck have had enormous increases.

The CHAIRMAN. Another reason for that is that the farmer is hunting, and he has to, for places where he can save a penny. While they make fun of him and condemn him because he patronizes the mail-order houses, if he can save a penny he must go there, because he hasn't any other place where he can pay the price.

Mr. HARGIS. I think the farmer or any other person is a wise man to buy where he can get the most for the least money. I know that the farmers' 1923 expenditures, according to the statements which I have seen, were much greater than in 1922. The point that you make, Senator, is merely one of personal opinion. You want to reduce that wheat acreage in some way. Is it a possible thing to pay to the agriculturists of this country, the wheat growers of this country, a certain sum outright to reimburse them for the cost of translating his land over from wheat land to some other thing, to enable him to change over to diversified farming? Suppose you reduce the wheat acreage 20,000,000 acres in this country. That would be too much. Suppose you cut it down 10,000,000 or 12,000,000 acres, and suppose you have a survey in each county and you extend to the farmers $3, or $4, or $5 per acre, or whatever is necessary to bring that acreage down, then what would you have accomplished?

The CHAIRMAN. Well, I have tried to think of that in the last year or two, that there might be a possibility, if we wanted to reduce the acreage, of giving to the farmer something in the way of a bounty, or something like you mentioned, always coupled with the condition that he would not be entitled to it unless he had reduced his wheat acreage a certain amount.

Mr. HARGIS. Whatever might be shown to be necessary; yes.

The CHAIRMAN. But I think in all probability we would never succeed in getting any law of that kind enacted by Congress. That would meet the opposition of grain men and millers.

Mr. HARGIS. Well, I don't know. Of course there is another thing, Senator, and the Secretary, I think, refers to that in his report, and that is your reclamation extension. He does not refer to that directly, but speaks of the increase in acreage. You do not need any more farm land in this country now. You need a reduction in it if your prices are to advance. I think it is sound logic to make the statement that when you get our wheat or any other commodity on a purely domestic basis it can go as high as the world level plus any tariff that you may impose upon the importation of foreign wheat.

The CHAIRMAN. Yes; I agree with that; but now just let us take the reclamation project. I happen to be familiar with that. It started before the war, was only partially finished, and they were working at it, extending it. I know I advocated that. I think that perhaps our biggest people were asking that the Government loan some money to various reclamation projects, and I said, "You are going to do this at a time when it will cost more than any other time, and you will have to pay for it." The answer comes back, "How can we stop with a reclamation project when it is half finished? It would be an economic loss to quit." It may be that the farmers in the community right ahead of the ditch, where they had stopped, had taken up the land, had gone there with their families, and they could not do anything until they got water. You drive every one of them away from the country. They can not stay there and live unless this water is brought to them, as they were led to believe it would be when they located there. So you are up against that proposition. And then they say, "Why, we have our outfit here, we have everything ready to work, and if we are going to disband the organization and quit now it will cost millions to get it together again, and is it not economy to finish this project now? We do not know what the farmers now under this project will have to pay until we complete it and divide the cost up pro rata against all the farmers, those who are there now and those who are going to use the water a little further on."

It will be a very difficult proposition to stop a reclamation project.

Mr. HARGIS. I know it.

The CHAIRMAN. A business man would not do it. It would not be good business, because even though it would cost more to do it at this time, when material is higher—when you get through with a building and have not the roof on it is not economy to stop then if there is any possible way by which you can continue and finish it.

Mr. HARGIS. No. I think that that is in the main correct. Yet you are attempting something else here that appears to me to be a very dangerous thing. Now, let me show you on the calculated price. We will take the Kansas City market for 1923, the most recent figures calculated.

The indicated price of wheat in January and February was static at $1.58 for the two months, then $1.60. In April the indicated price would have jumped to $1.66. That is 4 cents up. In June it would have dropped to $1.60. That is 6 cents down. In July it would have dropped to $1.45, in August $1.47. Next is $1.50—8 cents difference. That was September. That is a pretty wide fluctuation. Then the next month, October, $1.52, and $1.49 for November. It is not extended beyond that.

You have a fluctuation in there of from a maximum of $1.66 to a minimum of $1.47, or a direct variation of ratio price reflection of 19 cents between the two extremes, while in your future delivery you have only had 10 cents, approximately. The figure is 10¾. You have a fundamental change between two months of 6 cents, and between two other months of 15 cents.

Senator NORBECK. What is the argument from that, that the changes in price should be more frequent or less frequent?

Mr. HARGIS. I just figure from that that it would ruin anybody that had a stock of wheat on hand, whether it was a dealer or anybody else, if the ratio price made a drop of that kind, if wheat is worth $1.60 to-day and to-morrow morning it is worth $1.45.

The CHAIRMAN. I think you are getting away from the point we were discussing. That subject you have been all over. We were discussing the stopping of reclamation projects and decreasing the acreage.

Mr. HARGIS. I am sorry if I interrupted you.

The CHAIRMAN. I was calling your attention to the difficulty of following that suggestion.

Mr. HARGIS. I admit that it is a very difficult thing, but I made the statement that we did not need more wheat and farm land in this country, but needed less.

The CHAIRMAN. Yes; I think we would all be glad if we did not have a surplus.

Mr. HARGIS. But I had not completed this other.

Now, we will suppose that the millers to whom I have referred to have this capacity of grinding a million bushels a day. They will, at times, have an accumulated stock of 30,000,000 or more bushels of wheat, and if you give then a 15 cent variation in one month, under this price reflection, it will ruin them.

Senator NORBECK. They anticipate that pretty well, because they know the basis on which the Government is going to establish that price.

Mr. HARGIS. You mean on the 404 commodities?

Senator NORBECK. Yes.

Mr. HARGIS. To a certain extent; yes.

Senator NORBECK. That is a detail that can be changed if the bill is wrong. I was trying to get your opinion as to whether the price-fixing should be more frequent or less frequent?

Mr. HARGIS. I believe that this is a badly constructed bill. Premised on that statement, and in order to make the proposed plan operative, there is no question in my mind that the fewer price changes you make the better for everyone in the business. A weekly price change is fifty-two times as bad as an annual price change.

Senator NORBECK. Although you have a daily price change now?

Mr. HARGIS. Surely, but that is just a gentle ebb and flow. There has been less than 11 cents total price change on the May wheat crop.

We also find here a rather interesting thing, that the calculated wheat price and the actual wheat price during 1921 and 1922 was in many instances higher than the ratio price indicated, and we had few farm difficulties then, and yet the very basis you try to——

The CHAIRMAN. That would not be a bad condition, if we bring it up higher.

Mr. HARGIS. No; I think not, but even under that condition your actual wheat price in some months was higher than your ratio price.

The CHAIRMAN. Exactly. Suppose it would be. It seems to me if I were the man who was operating this, if this bill should become law, and I had charge of it, if it went very much higher I would sell some wheat right here at home. That would save the loss that the farmer would have to stand on his export.

Mr. HARGIS. You know usually if a fellow has a profitable commodity on hand he wants out of it all that he can get.

The CHAIRMAN. Well, that is what this bill would do, I should think. It would be fair to presume that it would do that. Suppose, according to their figures, the ratio price was $1.60, and let us suppose, for illustration, that wheat went up to $1.75, and this corporation had 25,000,000 bushels of wheat on hand. They would sell it on the market and would make some money on it, and when they came to the end of the year, if they did not have any more export wheat than they would have to sell abroad, instead of this scrip being worth less than a hundred cents on the dollar it would be at a premium.

Mr. HARGIS. That would be a wonderful condition if it could be brought about, both for the farmers and the rest of our citizens. I don't see who is going to buy that wheat to bring it up to $1.75. If that condition existed, I don't believe you would find anybody that would be willing to buy the wheat at all.

The CHAIRMAN. I don't say it would be done, but I say if that condition was brought about it would be a good thing.

Mr. HARGIS. I probably did not make myself as clear as I should have. What I say is that during this period when agricultural distress is supposed to have prevailed at times in this country, and which is sought to be corrected by establishing a ratio price between this commodity and all commodities, that during that very period when you say there was depression there were times when the indicated price on wheat was less than the actual commodity price as determined by the Department of Agriculture.

Senator NORBECK. I don't see what bearing that has on it, because the purpose of this bill is not to establish the price of wheat; the purpose of the bill is to keep it from going too low.

Mr. HARGIS. I understand. You are not attempting to fix a maximum on it.

Senator NORBECK. Occasionally this law would not be operative, because the price goes above the ratio price.

Mr. HARGIS. And there we are getting to the point. Who is going to buy it when the price goes above? Who is going to be in business to do it?

The CHAIRMAN. Suppose nobody is in business; what would happen?

Mr. HARGIS. We would be without flour; we would be without supplies.

The CHAIRMAN. Do you think so?

Mr. HARGIS. I do, except in this fashion, that the man who is buying it at the country elevators and terminal elevators, and the miller will all three find it necessary to take a sufficient extraction or make a sufficient difference between his purchase price and his selling price to protect him against these violent price fluctuations.

The CHAIRMAN. All right, but you have assumed a condition now that has brought prosperity to the producer of wheat, because you have assumed a price above the ratio price.

Mr. HARGIS. Surely.

The CHAIRMAN. The farmer will not kick about that, and if the elevator man must take a bigger risk he will pay less to the farmer.

Mr. HARGIS. Yes.

The CHAIRMAN. And he will not go below the ratio price. If he does, this corporation is buying.

Mr. HARGIS. Sure. Who will buy above the corporation price?

The CHAIRMAN. So he will pay that much. The farmer does not lose anything in that case at all, but I think if that condition comes about it would be a most desirable condition, because it would enable this corporation to save what the bill concedes is going to be a loss. In other words, instead of selling abroad at a reduced price they would sell here at an enhanced price, and when they got through they would have made money on the operation.

Mr. HARGIS. That is not the point I am driving at. The point in my mind is this: The bill assumes that the country operator and the other fellow will be there to function whenever this corporation does not function. It assumes that the corporation will function, say, for eight months in the year, and the grain man will be there to function the other four months, and that he will function during that time. It seems to be premised on that feature, that somebody in the com-

mercial world will be waiting around for the time to come when this corporation will get out of his way.

Senator NORBECK. Following that further, it would lead to the conclusion that for that very reason the price could not come up very much, because there is no one to bring it up, and therefore we would have a stabilized condition.

Mr. HARGIS. We would not have it as stable as we have it now. You arbitrarily permit a 10 per cent leeway. If you permit wheat to go up to $1.50 or $1.60, you still have 10 per cent leeway.

Senator NORBECK. It would be stabilized against these unusually low prices.

Mr. HARGIS. You mean the general level would be lifted?

Senator NORBECK. Yes.

Mr. HARGIS. Unquestionably, but to accomplish what you set out to accomplish, though, you would have to put the Government in the grain business.

The CHAIRMAN. All right. To some extent that is true, I think.

Mr. HARGIS. It is my earnest and conscientious belief that it would eliminate the others. Now, gentlemen, if you think the emergency is so great in agriculture, and if you believe that it would be proper to operate in times of peace along identically the same lines as the grain corporation did during the war——

The CHAIRMAN. What is the difference between time of peace and time of war; if an emergency exists, it exists because the war brought it on, but even suppose the same emergency comes about by reason of something else. In fact this emergency was brought on by the war, just as clearly as any emergency we had during the war. It is the same thing. If the Government did go into business then to prevent destruction of one class of our citizens, and here is the same thing, although the war has ceased, that the war has brought on, and it is still with us, why shouldn't we continue that policy?

Mr. HARGIS. I don't think that bad legislation is ever justified. I do not believe that American principles should be disregarded.

The CHAIRMAN. Was it justifiable during the war?

Mr. HARGIS. The price fixation?

The CHAIRMAN. Anything. Any law that is out of the ordinary.

Mr. HARGIS. I think that in time of war to protect your own shores and your native land you can go to great necessary extreme.

The CHAIRMAN. Here is a condition brought on by the war, although we are not now fighting. So far as this condition is concerned, it is conceded that the war brought it about.

Mr. HARGIS. Directly, after a fashion, yet indirectly after a fashion.

The CHAIRMAN. It is here. Whether it came directly or indirectly does not matter.

Mr. HARGIS. If the Government is going into the business, as soon as it goes into this it will be forced to go into the others, and it is going all the way through. I am not asking you to protect the grain exchange, because of their interest. I am not asking you to consider that in your legislation, because, as I stated at the outset, our personnel is so small as to be inconsequential as compared with the general good. The only thing you gentlemen need to consider is whether we are of sufficient value to agriculture, to the producer and to the consumer of this country, to be a necessary agency. Now, I took it that under the grain futures act we were so established. I took it that the best thought of the country, from Mr. Wallace's statement and from the statements of members of this committee and of the House committee, was that it was believed, it was stated both in their arguments, their speeches on the floor of the Congress, that there was no better agency which they could use than the exchanges. Now, a bill is here which creates a super agency. That is all there is to it. If you want to continue that forever, if you want to start a nationalization policy——

Senator NORBECK. Are we starting or are we continuing?

Mr. HARGIS. That is difficult to say.

Senator NORBECK. Is it not a fact that the only reason there is any demand for this is that the farmer has been unstabilized by artificial forces, including their own Government, and if we say to the farmer, "You should not interfere with the economic law; it will adjust itself," is not his answer that his present condition has been brought about because the economic law has been interfered with, and that being the case, is it time to stop exactly when the farmer is the only one left?

Mr. HARGIS. I do not know if conditions are so artificially influenced in this country, but I would dislike to go on record as favoring anything that would add to that artificial situation, or to say that we must go on an unsound economic basis or we are ruined. I would not recommend any legislation which is conceded to be for artificial purposes.

The CHAIRMAN. That is the basis for legislation all the way through. Personally, I do not see any difference, if an emergency arises, whether that emergency comes about by war or otherwise; it ought to be remedied by law. We have to try to save business from ruin brought about by unnatural conditions caused by the war, for no other reason except to help them, to save them, to prevent them from being destroyed by this unnatural condition that the war brought on. If that condition lasts after the war ceases, the same reason, it seems to me, logically exists for legislative interference that existed when the war was actually on.

Mr. HARGIS. After the Civil War we had a price decline of 30 years from 1866 on in agricultural products—approximately 30 years.

Senator NORBECK. We had at that time the settlement of the great Northwest, and millions of acres of virgin soil, and it was not only this country, but other countries.

The CHAIRMAN. That was through a reorganization all over Europe, and in fact all over the world. That was because you had opened up a whole empire and started it to producing.

Mr. HARGIS. Yes, sir; that is true. Those lands were opened up, and the war veterans were given special inducements to place them on a proper plane.

The CHAIRMAN. Yes.

Mr. HARGIS. All right. That was adjusted somewhat in some 30 years, then you had a gradual advancing scale for 25 years in prices, then you reached the peak; then this decline.

The CHAIRMAN. I have no doubt but what this condition, if we let it run long enough, will get to its natural basis, if we had no law

protecting the manufacturer, protecting the banker and big business men, or anything of that kind, and none protecting the farmer. Under those conditions it would finally get down to a basis of exactly what it should be, but before that time comes the farmer is going to be eliminated.

Mr. HARGIS. Your theory is that he would be destroyed in the process?

The CHAIRMAN. Yes; he would be destroyed in the process. We want to save him if we can.

Mr. HARGIS. I realize that; yet I can not help but feel, Senator, that you would introduce into Government the most radical legislation that we have ever had.

Senator NORBECK. Won't you use the word "continue" instead of "introduce"?

Mr. HARGIS. Well, I will, I believe, "continue" to use "introduce."

I thank you very much for your courtesy, gentlemen, and may I say to you that, so far as I know, my time with you this morning completes the introduction of any testimony by the interests that I represent before you.

I have to tell you, though, that Mr. Frank Kell, of Wichita Falls, Tex., who is a very well-informed miller of the Southwest, expects to be in Washington next week, and he can speak to you.

The CHAIRMAN. He wants to be heard, does he?

Mr. HARGIS. Yes. He is a practical miller down there. I am merely their spokesman in introducing these resolutions.

The CHAIRMAN. We will be glad to hear him when he comes. It may not be just when he comes. It may be that we will have a number of witnesses, and some of them will have to wait.

We will adjourn now until 10 o'clock to-morrow morning.

(Whereupon the committee then adjourned until Friday, February 8, 1924, at 10 o'clock a. m.)

PURCHASE AND SALE OF FARM PRODUCTS.

FRIDAY, FEBRUARY 8, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326 Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Keyes, Gooding, Norbeck, McKinley, Ralston, and Johnson.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Mr. French.

STATEMENT OF MR. E. L. FRENCH, DIRECTOR OF AGRICULTURE OF THE STATE OF WASHINGTON, OLYMPIA, WASH.

The CHAIRMAN. Please state your name, residence, and occupation.

Mr. FRENCH. E. L. French, director of agriculture of the State of Washington, Olympia, Wash.

The CHAIRMAN. You are at the capital?

Mr. FRENCH. Yes, sir.

The CHAIRMAN. How long have you been such director?

Mr. FRENCH. Three years.

The CHAIRMAN. What was your business prior to that time?

Mr. FRENCH. Farming.

The CHAIRMAN. In Washington?

Mr. FRENCH. Yes.

The CHAIRMAN. For how long?

Mr. FRENCH. For 30 years.

The CHAIRMAN. All right. Now, you can go ahead.

Mr. FRENCH. I want to talk about the McNary-Haugen bill.

The CHAIRMAN. All right.

Mr. FRENCH. This is a matter that the wheat farmer of our State feels is the only relief that will be of material benefit to him. When I say this bill, I mean the principles embodied in this bill. It is not a question of diversification in our State. We are well diversified at the present time. We stopped raising wheat and raised more livestock and more fruit. It would not be of material benefit to us. It is a question wholly of price. As has already been said, the price the farmer is getting is not in line with what he is paying. He is out of tune with people who are in other lines of business. The State of Washington produced last year 61,000,000 bushels of grain. We are also the largest exporter of grain of any State in the United States. While our production seems to be large, an average of some 25 bushels

to the acre, yet we only get a crop every other year. We follow summer fallowing. The ground must be cultivated and tilled during the summer.

The CHAIRMAN. For conservation of moisture?

Mr. FRENCH. Conservation of moisture for the coming year.

Very much of our lands in wheat you could not diversify for the simple reason that the small amount of rain fall will only produce a crop every other year. We are compelled to follow along the lines that we are now working on.

Our people feel, after careful investigation, that the principles embodied in this bill are right, fair, and will bring relief. We are organized along the line of the bill almost a hundred per cent in our wheat growing section, and the growers have signed up for this idea, believing it to be the only relief for them.

I might say that I have had business experience during all my life. I am always a little fearful of disarranging business conditions. I appreciate the fact that we have mills and elevator people and all that sort of thing. They appear to be fearful of the result. From my standpoint the person to take into consideration at the present time is the producer. If he is not able to function, if he can not produce at a profit, neither can the exporter, the miller and those people. It will come to them later on. So if we break down the farmer first we will break down the other business all along, and if, perchance, this may be a little out of the ordinary, and if it is not the kind of legislation that we have been used to, I am very sure at this time that you gentlemen will be justified in stretching a point a little, that is, temporarily, in the interest of the producer, the farmer.

I find a great many obections are raised to the machinery of the bill. I take it for granted that the men who have the administration of this bill will be men of broad vision, who will be fair and will administer it along the lines that will conserve the industry. I am not as fearful that we are going to have a great overproduction by reason of this legislation. It would not be to the interest of the farmer to do that, and it seems to me that it is not necessary for me to go into all the details of just what this particular section or any other would do ultimately. That will be in the hands of this commission, and we feel that in the State of Washington we are willing to trust that to them to work it out in a way that they may think is fair.

Briefly, that is the position of the Washington farmers.

Senator MCNARY. Let me ask you, Mr. French, are you familiar with the attitude of the operators in Washington, the grain men and mill men, with regard to the principles of the bill?

Mr. FRENCH. In a general way.

Senator MCNARY. What is that?

Mr. FRENCH. It would be antagonistic, as being out of the order of things that they have been used to. As I have explained, I don't think that that should be taken too seriously. We don't want to injure them, but I don't think we would.

Senator MCNARY. You heard the testimony yesterday of the gentlemen representing the grain men?

Mr. FRENCH. Yes, sir; I did.

Senator MCNARY. Do you think that so far as the business of the grain exchanges is concerned it would prevent hedging on the market?

Mr. FRENCH. No; I don't think it would interrupt the general trade.

The CHAIRMAN. His principal objection was—I don't know that it was his principal objection, but one of his first objections was that the bill provides for fixing the price every month. He thought that ought to be changed. What is your idea about that? Wouldn't the bill function just as well, for instance, to go the other extreme and fix the price in the method provided in the bill so as to get the relative purchasing power, fixing it once a year?

Mr. FRENCH. No, sir. I think it is better the way it is. We are fixing it every day now; we are fixing it 365 days in the year instead of every 30 days.

The CHAIRMAN. I don't want to contradict you, but they claim they are not fixing it at all, but the law of supply and demand regulates that.

Mr. FRENCH. That is true to a certain extent, but yet there are certain conditions, as in this last year, particularly, entering into wheat farming that have been to the detriment of the producer in the way of price. I have followed it fairly closely. The propaganda that was put up about the large overproduction, a thing that never existed, militated against the producer.

The CHAIRMAN. Are you familiar with the world statistics about this overproduction?

Mr. FRENCH. In a general way, only.

The CHAIRMAN. Well, take it in a series of years, now; has there been any overproduction?

Mr. FRENCH. No, sir.

The CHAIRMAN. If we were able to store what we call the surplus year and had the capital to do it and took it over a period of 10 years, would we have any wheat left?

Mr. FRENCH. Not the way we have been going. While we may call it a surplus to day, it is more than actually consumed to-day, but there is not more than a safe margin and in a sense the wheat is not a seasonable crop. It is in the United States, but not when it comes to the world's supply.

The CHAIRMAN. What I would like to get information on is this: Take it over a period of 10 years or 15 years or any other number of years, how much wheat would we have to store if we stored the surplus and sold it when there was a shortage? Suppose we determined by this bill or by the judgment of any commission or corporation that was handling it that the price of wheat to the farmer ought to be a dollar and a half a bushel, and we would buy enough so as to make that price, and store it, we would have a couple of hundred million bushels of wheat stored, and if it went above that we would sell, and if it went below that we would buy. How much wheat do you think we would keep in storage to carry out that kind of operation?

Mr. FRENCH. I could not answer that, and I doubt if anyone could answer it definitely. I believe that the commission would be the best judges and could take care of it in a safe way.

The CHAIRMAN. If from one year to another over a series of years we had no surplus, that thing could be done, could it not?

Mr. FRENCH. Oh, yes; it could be done.

The CHAIRMAN. And the only thing necessary to do it would be sufficient capital and storage capacity?

Mr. FRENCH. That is certainly true; but it so happens that we talk about surplus, and it has not existed to any such extent as some people would make us believe. We only have had a safe amount for our needs. Were it not for the fact that we were shipping in from Canada we would not have as much as we appear to have.

Senator MCNARY. You referred to the propaganda concerning the surplus. Do you mean there are interests that are broadcasting that propaganda in order to affect the market?

Mr. FRENCH. It has been going on ever since this last season's crop.

Senator MCNARY. Who is back of that?

Mr. FRENCH. I don't know. It is in the newspapers. It seems to come from some exchange, grain dealers, etc.

The CHAIRMAN. Did it come from the Agriculture Department?

Senator GOODING. I think most of that comes from the Agricultural Department.

Mr. FRENCH. I don't like to criticize the Agricultural Department.

Senator GOODING. I don't think they do it intentionally, but they are very busy. We find our State agricultural department out there and representatives of the Government out there keen about telling about a great lamb crop, a great turkey crop, a great wheat crop, and all those things. They are busy all the time. They say those things when it sometimes does not exist, and it always hurts the farmer. There is no question about that. When there is plenty of everything people will not buy. They will wait.

Mr. French, of course this bill is going to stabilize and steady the wheat market. There is not going to be the speculation or opportunity for speculation that there has been in it in the past. That is true, is it not?

Mr. FRENCH. Yes; that is true.

Senator GOODING. And it is to be expected that these grain exchanges which exist on speculation in wheat very largely, and brokers and all those people, will naturally be against the bill. I think that is a good healthy sign, to my mind. There is no question that we all expect to stand for our own interests all the time, everywhere, and we must do that, as far as that is concerned, and they are right in doing it. That is what we have got to eliminate, to my mind, very largely all the way through, the speculation in future products, and get closer to the people, and cut out a lot of them.

Mr. FRENCH. I am not an adventurer in legislation, but this appeals to me at the present time, that if in some way we can not make it possible for the farmer to produce really at a profit, so that he can hold on, we are derelict in our duty as legislators. I don't say that to criticize anybody, but there is an emergency here. There is not any question about it in my mind.

Senator GOODING. It must be met in some way.

Mr. FRENCH. I find in the agricultural districts, where they are dependent on agriculture almost altogether, the big cities and towns are beginning to feel some of these things. The farmer felt it some years ago and it is accumulating. They are all going to feel it.

Senator GOODING. Those little bankers have until the last few years been abusing the old farmer.

Mr. FRENCH. Yes, sir.

Senator GOODING. They are beginning to get a little light, and finding that he is not to blame all the time, and now they are being affected and are beginning to get around so that they can see that he has got to have a new deal to go on.

Mr. FRENCH. If it is as far reaching as that it will affect the trade, as we call it, the buyer, the exporter, and miller, we can better afford to do that than to continue the present program of bankrupting the farmer.

Senator GOODING. He will have a little legitimate business. This bill interferes with it just as little as possible, and gives the grain grower a chance to live, and gives him a price so that he can stay in the business.

Senator RANSDELL. One complaint that has come to me about the condition of agriculture is that the Federal land banks are beginning to foreclose on a good many farmers who have not been able to meet their payments, and it was put up to me in a very strong letter that I received yesterday. I wondered if you have suffered that in your State in the same way.

Mr. FRENCH. Not so much in our State, but we think we see it coming. It may take another year or two for that to come.

Senator RANSDELL. This letter went on to state there had been a number of foreclosures, not a great many, and that some were pending, and the question was raised, "What is the Government going to do with these lands? If it forecloses on the farmer and puts him out, what is the Government going to do with it?" It is appealing to me.

Mr. FRENCH. It is getting to be a Government question.

Senator RANSDELL. Certainly it is a very important Government question, if it is general.

Senator GOODING. Out in my State it may not have come to your information, but they were not even given one day. They were told in a telegram to pay up or foreclosure would be started at once. It was not a letter. Before we had threshed a bushel of wheat in that State, or before the farmers had had an opportunity to sell a dollar's worth of their farm products of any kind, early in August. These telegrams were sent to men who were behind only 24 hours.

Senator RANSDELL. Don't you think that was a very vicious policy, whoever inaugurated it? Congress ought to protest against that if it did nothing else.

Senator GOODING. It is a crime. Some of the farmers just quit and said, "Let them take the farm."

Senator RANSDELL. I don't think the Federal land bank in my section has been arbitrary at all. As far as I know, they have not. It is only when people have been a great deal behind that they have felt like they must foreclose. I just bring that up as one of the instances that must be repeated all over the United States.

Senator GOODING. They made no exception out there whether a man was behind one day or three months.

Senator JOHNSON. I had a talk with the land bank of St. Paul about three weeks ago and I asked them how they were getting

along, and I was told that there had not been more than seven farms gone back to the bank, but in North Dakota it is about 105, and taking into consideration the number of loans they have in North Dakota, that situation is not very bad, but of course he did not mention what is happening. There might be others in line to fail, but he did not want to mention anything about that.

Senator GOODING. A very vigorous protest was made against that. I think likely their attitude has changed at the present time, and they are trying to be more lenient.

Senator RANSDELL. They ought to be extremely lenient instead of extremely hard.

Senator GOODING. They ought to. The mortgage companies are not trying to take over the farms. They are trying to help. The Government said, "To-day, not to-morrow. It is due to-day, not to-morrow."

Senator RANSDELL. I have known some very wealthy and powerful business men in my State to absolutely go to the wall by foreclosing on the farmers and compelling them to liquidate. If the farmer is given a chance to pay up he will get along after a while.

Senator CAPPER. Have your people been helped by the War Finance Corporation at all?

Mr. FRENCH. I think the War Finance possibly some, but I don't think it has reached the farmers. We can take care of our situation with local money.

Senator RANSDELL. Mr. French, have your people ever tried this rotation which is said to have been so beneficial in Germany, rotating with beets the wheat, thereby getting a much larger production of wheat and also getting some profit from the beets?

Mr. FRENCH. As I said in the beginning of my remarks, our State rotates along most all lines that are profitable. We have a number of sugar plants in the State. They are not very successful. We are producing about all of the fruits in the climate in which they are suitable that we can produce. We are in grain, and our rotation is so complete that really there is not any argument from that standpoint.

The CHAIRMAN. How are your fruit farmers getting along?

Mr. FRENCH. They are hard up.

The CHAIRMAN. He is broken just like the wheat farmer?

Mr. FRENCH. Yes, sir.

The CHAIRMAN. Why? We don't get enough fruit here.

Mr. FRENCH. Because he does not get the price. This question of spread between the producer and the consumer is unbearable.

The CHAIRMAN. What is the cause of that spread?

Mr. FRENCH. A system of distribution has grown up that I don't know how we are going to remedy.

The CHAIRMAN. And this bill does not attempt to remedy that?

Mr. FRENCH. No; it does not. I figured out that the average price paid for the bushel of wheat after it is made into bread is a little over $6. If you go to buy baked apples you probably pay $20 a box for them.

The CHAIRMAN. How much of that is freight?

Mr. FRENCH. Only a very small part of it.

The CHAIRMAN. You think the freight rates are all right?

Mr. FRENCH. The big spread is at the consumption end.

Senator GOODING. Our freight from Idaho and yours is about the same. It is 38 per cent on apples. Our freight on butter alone, which is the highest priced farm product shipped out of our State, is 5½ to 6 per cent and our apples are anywhere from 35 per cent to 40 per cent.

The CHAIRMAN. But your butter is in very concentrated form; one of the most concentrated there is.

Senator GOODING. Yes.

The CHAIRMAN. But that is not true of fruit. Is it 38 per cent of the price of your fruit?

Mr. FRENCH. I am not able to say.

The CHAIRMAN. Have your fruit producers studied that question?

Mr. FRENCH. Oh, yes.

The CHAIRMAN. Have you had a lot of fruit that has spoiled that has been packed to ship?

Mr. FRENCH. Yes, sir.

The CHAIRMAN. Is that true this year?

Mr. FRENCH. Yes, sir.

The CHAIRMAN. Give us a little idea of that. What is the extent of that?

Mr. FRENCH. Well, there are a great many hundreds of acres—I could not give you exactly the figures—our lower grades, particularly. They started shipping them early in the season.

The CHAIRMAN. And they are allowed to rot on the ground?

Mr. FRENCH. Some of them put them into dried apples or something of that kind, and others were not picked. They did not harvest all of them, because it did not pay.

The CHAIRMAN. What percentage of the crops were not harvested?

Mr. FRENCH. A small percentage, probably 5 to 10 per cent. We produce a high-grade fruit, and must in order to compete with the eastern market.

The CHAIRMAN. Senator Gooding has given that freight as 38 per cent.

Senator RANSDELL. Is any of that fruit shipped through the Panama Canal to the east coast?

Mr. FRENCH. Yes.

Senator RANSDELL. Much of it?

Mr. FRENCH. Comparatively a small amount.

Senator RANSDELL. I understood a great deal of California fruit comes around that way?

Mr. FRENCH. Yes, sir.

The CHAIRMAN. Senator, we are speaking of fresh fruit now.

Senator RANSDELL. Yes; fresh fruit. My understanding is that it comes through in refrigerator ships instead of refrigerator cars. I have not gone accurately into that, but I think that is correct, Senator Norris.

Mr. FRENCH. We are doing some of that out in Oregon; putting it in refrigerator ships.

The CHAIRMAN. How many days does it take to ship by way of the Panama Canal from Seattle to New York City?

Mr. FRENCH. I think it takes about 30 days. I don't know positively.

The CHAIRMAN. No; I think you are wrong about that.

Mr. FRENCH. Some of the faster ships go quicker than that, but I think the average steamer takes that long.

The CHAIRMAN. Well, that would be a tramp steamer, probably.

Mr. FRENCH. They may come through quicker than that.

The CHAIRMAN. If you don't know I won't ask you about that.

Mr. FRENCH. I don't know exactly. I know the time it takes on general shipments.

Senator GOODING. That wheat country there is pretty fully developed, is it not, in Oregon, Washington, and Idaho? That is, there is not much of an opportunity for increased production.

Mr. FRENCH. Very little.

Senator GOODING. It produces practically at the present time a hundred million bushels of wheat?

Mr. FRENCH. The entire territory.

Senator GOODING. It has pretty nearly reached its peak. I doubt if it will ever again produce as big a crop. At least, it will be many years before it produces as big a crop as it did this year. I think our yield is about as good as ever known in Idaho; I think the best we have ever had. It was an extremely favorable year in moisture and everything else. It was a remarkable crop. I feel quite sure, Mr. Chairman, that there is no need of any alarm about any great increase of wheat in this country unless the price of wheat should become much higher than on other farm products. This bill, of course, keeps them all along in about the same relative position as far as their valuation is concerned, which I think makes it very desirable, very much better than my wheat stabilization bill, because that would stabilize wheat alone.

Mr. FRENCH. Conditions in my State are very much the same as in Idaho and Oregon. As a matter of fact, a great deal of acreage has been plowed up and put to wheat that never ought to have been, and it has gone back.

Senator GOODING. That was during the war?

Mr. FRENCH. During the war; yes. That has gone back. It was too dry.

The CHAIRMAN. Is that all, Mr. French?

Senator RANSDELL. I wanted to ask a question. Mr. French, you stated, if I heard you right, that you got an average of about 25 bushels of wheat to the acre?

Mr. FRENCH. Yes, sir.

Senator RANSDELL. The average for the Nation is about 18 bushels to the acre, is it not?

Mr. FRENCH. Yes, sir.

Senator RANSDELL. So there must be some regions where the yield is very much lower. You evidently produced a very magnificent yield.

The CHAIRMAN. Senator, you ought to take into consideration that they only produce every other year.

Senator RANSDELL. Oh, that is so. I misunderstood that. I am glad you called that to my attention.

It has been called to my attention—I don't know that it has been put into the record—if we produced the million-odd tons of sugar that we annually import and pay upward of a billion dollars for, we would save that and make a great deal more on the wheat. They say the Germans have produced a wonderful crop of wheat as a result of rotation with beets.

Mr. FRENCH. We have soil well adapted to the growing of sugar beets, but with us labor is the great question. In some way or another our American farmers have never been able to live the same kind of life that the Europeans and many other people have. It is difficult for them to place themselves on the same basis. They are not able to work as cheaply.

Senator MCNARY. A great deal of your land is such that you could not use it for purposes of rotation?

Mr. FRENCH. No; not at all, because our wheat production is dry farming. We do not produce wheat to any extent where there is irrigation, and we would not get enough moisture on the wheat lands of our State to produce beets.

Senator RANSDELL. You have to have a great deal of moisture to produce beets.

Mr. FRENCH. Yes, sir.

STATEMENT OF MR. R. R. WHITE, ASSISTANT SUPERVISOR, DEPARTMENT OF AGRICULTURE OF THE STATE OF WASHINGTON.

The CHAIRMAN. State your name, Mr. White.

Mr. WHITE. R. R. White.

The CHAIRMAN. What is your business?

Mr. WHITE. Assistant supervisor of the department of agriculture of the State of Washington.

The CHAIRMAN. How long have you been assistant supervisor?

Mr. WHITE. Four years.

The CHAIRMAN. What were you doing before that?

Mr. WHITE. Farming.

The CHAIRMAN. All right. Now you may proceed.

Mr. WHITE. I perhaps am in a position that to simply go on and tell my story would be to repeat what Senator French has said, and I have canvassed this situation with the understanding that the Senators would ask me questions, and if there is anything in the way of statistics or information that you wish to bring out, I perhaps might be in a position to answer.

As to the yield of the crops in the State and as to diversification, my work brings me entirely in touch with the whole ground of supervision of production. Of course, that has been brought out by Mr. French. It is very much larger than ordinarily. Of course it is larger than the State of Washington has ever had. I believe that is also true of Oregon. Idaho I do not know as well. They are bringing into the Pacific Northwest, to export through the Columbia River by way of the Puget Sound Ports, greater quantities than any other port in the United States, and perhaps more wheat is raised in those three States by a great many million bushels than we have ever exported. In other words, we figure that the total export of wheat of the United States is 120,000,000 bushels this year. Last year we had considerably more than that; almost up to 168,000,000.

Senator GOODING. Let me understand you. You exported that much?

Mr. WHITE. We will export. We have exported over 70,000,000 bushels so far.

Senator GOODING. Of this year's crop?

Mr. WHITE. Of this year's crop. The export demand has been a little greater than in previous years.

The CHAIRMAN. You are confining yourself to the Pacific coast territory, are you?

Mr. WHITE. No; on that last statement, that was general all over the United States.

The CHAIRMAN. That is what I wanted to know. In speaking of the export of wheat you mean the exportations from the entire United States?

Mr. WHITE. Yes. The exports from the Pacific Northwest have been about 34,000,000 to 38,000,000 bushels.

Senator GOODING. This year?

Mr. WHITE. Yes. I speak of that as wheat. That is wheat and wheat products.

Senator GOODING. What would it be for the entire year? What was it for last year's crop?

Mr. WHITE. From all over the United States?

Senator GOODING. No. I am talking about the Pacific coast. That is what we want to develop.

Mr. WHITE. Well, very much less. I just don't have the statistics.

Senator GOODING. We exported last year from Portland alone 32,000,000 bushels of wheat, or wheat and flour, the equivalent of 32,000,000 bushels. I did not get the exports from Seattle and Tacoma.

Mr. WHITE. That runs about 50 higher than Portland, that out of Puget Sound.

Senator GOODING. Portland is the highest?

Mr. WHITE. Yes, sir.

Senator GOODING. Do you know anything about Canadian exports this year as compared to last year?

Mr. WHITE. Their exports exceeded that. They were more than they ever had in the history of the country.

Senator GOODING. That is from the Puget Sound country?

Mr. WHITE. Yes. I am not so sure but that is not true of the entire Canadian Provinces.

Senator GOODING. This year they raised 469,000,000 bushels of wheat. That is the production in Canada this year. That is the last word, I think, on it. Do you know what Canada's export was last year from Puget Sound?

Mr. WHITE. About 5,000,000 bushels, if I recall it, and they had a great deal more than that this year.

Senator GOODING. And that wheat comes in direct competition with our wheat?

Mr. WHITE. Yes. You can buy perhaps better milling wheat for seven cents a bushel less through Washington than you can through Puget Sound. For a time until Canadian wheat moved it was holding our wheat back.

Senator GOODING. Let me ask you this question. Is any Canadian wheat shipped over into the Puget Sound country which pays a tariff of 30 cents a bushel to blend with our wheat, or anything of that kind?

Mr. WHITE. No, sir. Our wheat, in the Pacific Northwest, if it is blended at all, is blended with the Montana wheat. We have what is known as an export rate on Montana wheat east of Billings that brings the wheat west. There has been a great deal of Canadian wheat. That is what has held back our wheat.

Senator GOODING. Do you know what that export rate is?

Mr. WHITE. That is about 3 cents a bushel less than the regular rate.

Senator GOODING. Less than the regular rate?

Mr. WHITE. Yes, sir.

The CHAIRMAN. What is the regular rate?

Mr. WHITE. The regular rate is, I think, about 35 cents.

The CHAIRMAN. Then the export rate would be about 32 cents?

Mr. WHITE. Yes, sir.

The CHAIRMAN. I think perhaps the committee took from your answer that the export rate was 3 cents. I didn't think that was what you meant to say.

Senator GOODING. About 3 cents below the regular rate.

The CHAIRMAN. Yes; but from his statement one would get the idea that that was the rate.

Senator CAPPER. What success did you have with what is known as the wheat pool up there in your State?

Mr. WHITE. I think the wheat pool in that section has been a wonderful thing; it has had a wonderful effect. Whether it stimulated the price or not I do not know, but it has had a wholesome effect in bringing the farmer more into his own problem, causing him to give it more careful study, and it has enabled him to understand more the things that determine the price.

Senator GOODING. Has the price of labor in the Washington wheat fields been put into the record yet? If not, are you familiar with the price of labor paid in the wheat fields?

Mr. WHITE. No; only in a general way. The information that I get in talking with the farmer is that for such labor as there is the rate is $5 a day, and combine men were paid as high as $18 to $20 a day.

The CHAIRMAN. What is a combine man?

Mr. WHITE. Those are the men who operate the combine harvester.

The CHAIRMAN. Do you mean $20 per man?

Mr. WHITE. Per man, yes; and any amount of the skilled machinists run as high as $25. That is the general thing.

The CHAIRMAN. Now, that is the man that operates the machine that cuts it and threshes it?

Mr. WHITE. Yes, sir.

The CHAIRMAN. How many men does it take to operate that kind of machine?

Mr. WHITE. The large machine, probably seven or eight men.

The CHAIRMAN. Would each one of those seven or eight men get those wages?

Mr. WHITE. What we call the back filler and shocker gets $1 an hour.

Senator GOODING. They are all high class men. It is a machine, as you know, that cuts the grain, threashes it, fills the sacks and dumps them in piles We haven't got to milling it yet.

Senator MCNARY. The machine you mention is only for harvesting?

Mr. WHITE. For harvesting.

Senator GOODING. I was speaking of the general wages. I had in mind a discussion with the Director of the Reclamation Service, who is a large farmer in Washington, in which it developed that they were paying $5 a day.

The CHAIRMAN. What did you pay before the war? You did not have these machines then, did you?

Mr. WHITE. Yes; just the same.

The CHAIRMAN. What did they pay then?

Mr. WHITE. The wages then ran $2.50 to $3 and $4.

The CHAIRMAN. For these same high-class machinists?

Mr. WHITE. No.

The CHAIRMAN. Take those fellows who get $18 a day now; how much did they get before the war?

Mr. WHITE. I would not be in position to answer that. The ratio, I think, is maintained.

The CHAIRMAN. Maybe you can tell us about that. Does it require an expert machinist to operate those machines?

Mr. WHITE. Yes, sir, Senator. You have 32 head of horses on those machines, and these men have to give very careful attention to them all the time. A few minutes is very important at times.

The CHAIRMAN. The farmer himself as a rule does not own the machine, does he?

Mr. WHITE. No.

The CHAIRMAN. It is like a threshing machine; it goes around from farm to farm?

Mr. WHITE. It is on that same order. Some big farms do have their own machines.

The CHAIRMAN. Ordinarily the man who owns that machine hires his own men, and does he furnish his own horses?

Mr. WHITE. I understand he does.

The CHAIRMAN. And the farmer boards the crew?

Mr. WHITE. No; they have their own boarding.

The CHAIRMAN. They board themselves?

Mr. WHITE. Yes, sir.

The CHAIRMAN. Just like a threshing-machine outfit does?

Mr. WHITE. Yes, sir; very largely the same.

The CHAIRMAN. And they go from one farm to the other?

Mr. WHITE. Yes, sir.

Senator GOODING. Labor, even at that price, was very scarce?

Mr. WHITE. Yes. There was quite a good bit of inconvenience from lack of labor.

The CHAIRMAN. What does that kind of an outfit cost to buy?

Mr. WHITE. I could not tell you.

The CHAIRMAN. It takes about 30 horses to pull it.

Mr. WHITE. Thirty-two. They have what they call the baby combine, which is a small combine that a few men can operate that can be operated on a small farm.

The CHAIRMAN. How many acres would they cut?

Mr. WHITE. Theoretically they should cut 20—15 or 20.

The CHAIRMAN. Are any of those machines operated by tractors instead of horses?

Mr. WHITE. This year a few of them are put into use because of the scarcity of labor.

Senator GOODING. There is a motor, is there not, on these big combines, that runs the threshing machine?

Mr. WHITE. Yes.

Mr. JOHNSON. You have no twine bill to pay, though, when you have those machines?

Mr. WHITE. Well, the twine that you would use with a harvester is taken care of by the twine you use in your sacks. It amounts to the same thing.

Senator JOHNSON. You mean to tie the sacks?

Senator GOODING. To sew the sacks.

The CHAIRMAN. Oh, you sew them?

Mr. WHITE. Yes, sir.

Senator GOODING. You handle all your wheat in that way?

Mr. WHITE. About two-thirds of it. Our wheat counties in the State of Washington are in the east and southeast sections only. Adams, Asotin, Columbia, Douglas, Franklin, Garfield, Grant, Lincoln, Okanogan, Spokane, Stevens, Walla Walla, Watcom, and Whitman Counties are distinctly wheat counties. The average farms are from 500 to over 1,000 acres. These farms will not lend themselves to diversification.

We raise but little corn in the State, only perhaps 3,000,000 bushels. That is used in some sections, in the semidry wheat farming districts, as a rotation crop, but it is not practical in the Pallouse country.

Take in those counties the question of diversification. I notice in the 1920 census report that they had a very well balanced diversification in livestock, and the State report on the value of horses was nearly $3,000,000, and the ratio in these counties on that project was very generally the average of the entire State. Take our cattle. We have had perhaps $50,000,000 worth of cattle in the State of Washington. Two-thirds of that amount is dairy cattle, young stock. Sheep and hogs will run another $12,000,000 to $15,000,000. So those are equally distributed in this district. In other words, all the scrap land, the pasture land, is being utilized for stock diversification. On those same farms you will find a number of chickens and other poultry. It runs very high. So that that is strung out all through the wheat belt. Our apple industry in the State is worth each year about $50,000,000. The report of the State department of agriculture shows that the State of Washington's commercial apple crop constitutes 25 per cent of the commercial apples of the whole of the United States.

In the small-fruit industry, particularly in the berry lines, we are very well diversified.

The CHAIRMAN. In that country around Okanogan, have they not been developing fruit there for the last 10 or 15 years?

Mr. WHITE. Yes. There are small irrigation tracts there.

The CHAIRMAN. Take right around Okanogan. Okanogan town is located on the Okanogan River. You have an irrigation plant that comes down from the mountains there, right around Okanogan, have you not?

Mr. WHITE. Yes, sir.

The CHAIRMAN. Is not that a fruit country there?

Mr. WHITE. Yes. From Wenatchee that is dry country.

The CHAIRMAN. From Wenatchee going north up the Columbia River to the Okanogan River it is a fruit country all the way up

there, is it not, and as you go back from the Columbia River, after you get away from the bluffs——

Mr. WHITE. That goes off into wheat land. There is not much irrigation after you pass the river.

The CHAIRMAN. Well, when you get up to the mouth of the Okanogan, it comes into the Columbia there. Has there not been a great deal of fruit planted there?

Mr. WHITE. Yes; but it has not all been successful on account of lack of water.

The CHAIRMAN. That is what I was coming to. To get that irrigated up there you had to pump the water, didn't you?

Mr. WHITE. I don't know that there is any pumping plant there.

The CHAIRMAN. Where do you get your water, for instance, to irrigate the fruit orchards off from the Columbia River, when you are going up to Okanogan, along the Columbia River? Where do you get that water?

Mr. WHITE. Senator, I would not be qualified to answer that question, but I am satisfied Mr. French may know. I am not familiar with the irrigation project.

The CHAIRMAN. Are you familiar with the country between Okanogan and Conconnully?

Mr. WHITE. No, sir; not there.

The CHAIRMAN. Are you familiar with the country around Chelan Lake? They irrigate there. They raise a lot of fruit there. Where do they get their water from?

Mr. WHITE. From the river.

The CHAIRMAN. Take Chelan now. That is a few miles off from the Columbia River and several hundred feet above the Columbia River. How do they get the water up there?

Mr. WHITE. I couldn't tell you.

The CHAIRMAN. Do you know whether they have done anything with Chelan Lake there? Have they developed any water power there?

Mr. WHITE. I am not familiar with that. They are developing, I understand. I don't know that I can answer your question as to the extent.

The CHAIRMAN. Now, up from Okanogan to Conconnully, do you know what little stream flows up there? It is some stream they dammed at Conconnully that creates a big reservoir right near Conconnully, from which they get the water to irrigate the peach orchards from there down to Okanogan.

Mr. WHITE. No; I am not familiar with that.

The CHAIRMAN. That used to be a great silver-producing country.

Senator JOHNSON. What is your opinion, Mr. White, about this: If the price of wheat goes up 50 cents a bushel, will that have a tendency to raise the price of other commodities? I mean other commodities that the farmers have to buy.

Mr. WHITE. There may be a sympathetic raise that would not be in proportion with the raise. I think the minute that you get wheat where it is yielding a fair return to the farmer you will, perhaps, find that the organized industries, such as hides and leather, will take advantage of the farmer's condition.

Senator JOHNSON. If the price of bread goes up—for instance, a cent or two a loaf—on account of this, or even half a cent a loaf, will that tend to curtail consumption?

Mr. WHITE. I would not think it would, with bread; no, Senator, because we have already curtailed about as far as we can on bread consumption. In the Pacific Northwest we have a very large milling capacity. We have the largest in the United States, contained in Washington and Oregon, about 70,000 barrels a day. We have sufficient milling capacity to mill all the wheat that is raised in the Northwest, and the carry over last year in the State of Washington was about 1,900,000 bushels. The carry over in the United States for the last number of years has been around seventy to seventy-eight million bushels. They call that a carry over. It is a good deal like the working capital of an institution, a little here and a little there, a few bushels in each elevator. There is no such thing as a surplus of wheat in the United States

The CHAIRMAN. Are you familiar with the Walla Walla country?

Mr. WHITE. Fairly well.

The CHAIRMAN. Now, going up from Walla Walla toward Waitsburg, that used to be exclusively wheat. Have they not got a good deal of wheat in there now?

Mr. WHITE. They have what we call farm orchards. There is quite a little produced in there now commercially. Of course, in all those places you will find some.

The CHAIRMAN. Now, in that country in there is the wheat harvested by these machines that you spoke of a while ago?

Mr. WHITE. Hilly wheat lands it is better for the combine. The machines are made specifically for hilly lands. They are high on one side and low on the other.

The CHAIRMAN. That kind of a machine would not work in a level country?

Mr. WHITE. They have some adjustments.

The CHAIRMAN. How much of a wheat crop do they raise in that country? Do they raise wheat there every year, or do they have to summer fallow?

Mr. WHITE. Generally all through the Wheat Belt they summer fallow.

The CHAIRMAN. Then they don't raise a crop every year?

Mr. WHITE. There have been times when that would apply once in three years. There is a little of that done yet, but not a great deal.

The CHAIRMAN. Is that country developed in there? Is it settled up?

Mr. WHITE. No. I am not entirely familiar with the past history of the population, but it is a little bit more than it was a few years ago. The farms are gradually growing larger and people moving to the city.

The CHAIRMAN. Is that country from Coulee Junction, where the railroad branches off and goes to Spokane, well populated?

Mr. WHITE. There are large farms. It has not lost many people, but it has not gained in population.

The CHAIRMAN. How are those farmers getting along? Are they prosperous?

Mr. WHITE. No; the farmer is not prosperous. Taking it on further north, in that section of the State of Washington, last year the

State appropriated $250,000 to buy seed for the farmers, particularly along the Great Northern, in Franklin and Douglas and Grant Counties.

The CHAIRMAN. What is the county west of the county of which Walla Walla is the county seat?

Mr. WHITE. I just can't recall.

STATEMENT OF MR. CHARLES J. BRAND, CONSULTING SPECIALIST, DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

The CHAIRMAN. We all know who you are, Doctor, but so as to put it all in the record, state it.

Mr. BRAND. Charles J. Brand, consulting specialist on marketing, Department of Agriculture.

The CHAIRMAN. How long have you been there as such specialist?

Mr. BRAND. About 20 months.

The CHAIRMAN. What did you do prior to that time?

Mr. BRAND. Just prior to that I was vice president and general manager of the American Fruit Growers (Inc.), an organization of the fruit-growing industry with headquarters at Pittsburgh, for three years.

The CHAIRMAN. Before that you were with the Department of Agriculture?

Mr. BRAND. Prior to that for six and a half years I was chief of the Bureau of Markets, which I organized in 1914. Prior to that I was director of Plant Industry of the Department of Agriculture, from 1903 to 1915.

The CHAIRMAN. Doctor, we don't want to confine you to this one bill. You can talk about any bill you want to that is pending here. We have a sort of general understanding already that you are one of the men who drafted the McNary-Haugen bill. Tell us about that. How did it come about?

Mr. BRAND. Mr. Chairman, I don't want to take too much credit in respect to it. It is a matter that has been growing for at least three years in the minds of the farming community, ever since the time of the National Agricultural Congress that was called by Mr. Wallace at President Harding's direction in January, 1921, and from that date on to this—I was not then connected with the department—I have been interested in this matter to a considerable extent, so that when urgent requests kept coming from the country during the last spring and summer that something be shaped up along this line, Secretary Wallace asked me if I would not take hold of the matter and shape up the draft of the bill, which I did, and from that point on I want to say that the drafting sections of the Senate and the House took hold of my very rough work and put it in very excellent shape. I claim no credit for the excellent shape that the bill is in.

The CHAIRMAN. In starting out to study the proposition you had other bills and other propositions that had been laid before you?

Mr. BRAND. Yes, sir.

The CHAIRMAN. And among the number was the bill introduced by me, known in these hearings as the Norris bill?

Mr. BRAND. Yes; Mr. Chairman. I not only had your bill but others. Your bill was one of the earlier ones. That has been up

for some time. Some of these more recent bills I did not have, such as the Burtness bill, and a bill by Senator Norbeck and some amendments from the House, but whose name at this moment I do not recall, and a number of other bills. Of course I had previous experience in drafting the food control and production act, the warehouse act, the grain standards act, and the cotton futures act. They are all pieces of legislation with which I had much to do in their inception and final passage, and in their administration.

Now, as I understand it, the Secretary, yourself, perhaps, and others interested in trying to meet the situation of the unfortunate farmers, were not satisfied with any of these other bills. Because of various objections one way or another you thought it would not be a good idea to enact them. This bill now known as the McNary bill was the outcome of the work of those who wanted to get something before us that was considered more practical in place of these other bills.

The CHAIRMAN. Well, I got the idea that you drafted this bill.

Mr. BRAND. I could hardly say that, Mr. Chairman.

The CHAIRMAN. Well, give us the facts.

Mr. BRAND. This was the view that I took of the matter. The problem, first, is a very many sided problem, and no one bill can touch all of its phases. For instance, as I understand the Norris bill it aims to secure results by the hope of a more efficient marketing agency to be capitalized by the Government.

The Burtness bill hopes to reach the result by extending loans to those distressed farmers, particularly in the great wheat area; and similarly with the other bills.

The McNary-Haugen bill aims rather to reach the point of doing something for the price of the distressed commodities, which are out of parity with the prices of all other commodities. In other words, it was not an invidious distinction they were drawing; it was rather trying to reach another point in the problem, and I have no doubt Senator McNary and Mr. Haugen had that same point in mind.

The CHAIRMAN. I don't want you to get the idea, Doctor, that I am asking these questions from any selfish viewpoint.

Mr. BRAND. No; I had not thought that. I did not have that in mind, but I did not want you to feel that we were condemning something else or somebody else's project.

The CHAIRMAN. I don't care whether you condemn it or not. I presume "condemn" would not be the right word, but you would in a way. But I am not criticizing any bill. Maybe it ought to be condemned. I don't know. But this is the outcome of it all?

Mr. BRAND. Yes.

The CHAIRMAN. Now, you do not pretend in this bill to reach some of the points attempted to be reached in some of the other bills, do you?

Mr. BRAND. No; except as an improvement generally will reach the other phases of the trouble. For instance, if this bill were to be made law, and if it were effective, and if it did increase the returns of the wheat farmer by the sum of $300,000,000 it would relieve the situation generally.

The CHAIRMAN. For instance, in this bill you are not giving consideration to the consumer, are you?

Mr. BRAND. Yes, we are. We have kept him in mind throughout our consideration.

The CHAIRMAN. Yes, but what have you done for him.

Mr. BRAND. We look upon the problem in this way, Mr. Chairman: the consumer at large is receiving the highest wages that he has ever received. The last figures I recollect are about 220 compared with 100 normal in 1914, and 1914 was a fairly high wage year, whereas farm prices are by no means at any such level. If farm prices advance, if the wheat price advances compared with 1920 level, it would be about 118. Therefore, what we are asking here is to produce a parity, an equality between compensation in other lines and compensation in the case of the farmer's products.

The CHAIRMAN. Yes, I understand that, or I think I do, anyway, but your method of doing that is to raise that up and not pull the other fellow down.

Mr. BRAND. Yes, sir.

The CHAIRMAN. When you do that won't the other fellow have to pay the bill?

Mr. BRAND. Yes, he will.

The CHAIRMAN. Well, that would increase the cost of living.

Mr. BRAND. I think undoubtedly the tendency would be in that direction, but it would be in that direction through equity and in the line of decreasing the disparity.

The CHAIRMAN. You don't undertake to go into the problem of distribution. I think the bill does a little, but not to a great extent.

Mr. BRAND. Yes, it does. Of course, the great purpose is to create a businesslike and workable method of separating the exports from the totality of the crop, in order that it can be marketed separately and take such loss as is necessary.

The CHAIRMAN. That is not my question. All I am trying to get is the barefaced facts, if I am not right here. I think I understand it. Is it safe to say in this bill we are not seeking to remedy the evils, if there are conceded to be evils, and I think there are in distribution?

Mr. BRAND. Only in so far as this bill would have a tendency to bring about an orderly marketing of the surplus. It does not aim to be a corrective measure in itself.

The CHAIRMAN. That is the idea. You do not seek to disturb the men engaged in the distributing business, only as the operations where you buy this exportable surplus would undoubtedly interfere with them. That is the only extent to which you interfere with them?

Mr. BRAND. That is correct. The point of this bill is that in an emergency, in a crisis of this character, you can not hope to correct the whole system. You have to use the whole system as it stands and effect such corrective measures as you may.

The CHAIRMAN. These questions are preliminary to your analysis of the bill, because I want you to understand the facts as they really are. There are a good many evils in the distributing system, not confined to wheat alone, but to everything in the food-products line as they travel from producer to consumer.

Mr. BRAND. I have thought so for many years.

The CHAIRMAN. Do you think we can help that situation by legislation?

Mr. BRAND. I think there are certain types of legislation that would undoubtedly be helpful.

The CHAIRMAN. I suppose it would be conceded that in this system of distribution, as it goes through the hands of middlemen, the freight question would arise, would it not?

Mr. BRAND. Yes; very importantly. Next to retailing costs the transportation costs are the highest single factor in the total cost.

The CHAIRMAN. The McNary-Haugen bill does not undertake to help the transportation question or the retail question, does it?

Mr. BRAND. Except as it tends toward the utilization of vessels of the United States in transporting the products to foreign countries.

The CHAIRMAN. Does it do that?

Mr. BRAND. That is one of the features behind the export idea.

The CHAIRMAN. You do not utilize these ships that the Government owns that are not being used?

Mr. BRAND. Not in terms, but that is one of the things that this corporation would expect to handle.

The CHAIRMAN. Would you expect this corporation to handle these ships?

Mr. BRAND. No; I would not. I would expect the Shipping Board or other instrumentality to handle them, but I would expect the corporation to use them.

Senator GOODING. Australia is doing that at the present time.

Mr. BRAND. To an extent, Senator.

The CHAIRMAN. Maybe as you go along I will see that, but I don't understand it now.

Mr. BRAND. It is within the power of the corporation to select the agencies to be used.

The CHAIRMAN. We would not have power to take these ships unless there was something in the law to give you that power.

Mr. BRAND. I have not in mind that the corporation would take those ships. I thought you could utilize the distributing instrumentalities that are available, but use the ships of the United States to handle the grain.

The CHAIRMAN. Where is there a provision in the bill that would put these ships to work?

Mr. BRAND. It is in the powers conferred on the corporation.

The CHAIRMAN. How would they exercise that power? They could not take the ships themselves.

Mr. BRAND. By negotiation with the Shipping Board.

The CHAIRMAN. Well, anybody could do that now, could they not? You would not need any law for that.

Mr. BRAND. No; I should say not.

The CHAIRMAN. You could negotiate and get the Shipping Board to run the ships.

Mr. BRAND. It is a question under the present circumstances whether the Government corporation would be practically compelled by public sentiment, if not otherwise, to use these instrumentalities.

The CHAIRMAN. I can not see why it would be so any more than it is now. They could do that now without the enactment of any further law. This law does not direct them to do it.

Mr. BRAND. There is no present stress upon any exporter of grain to use ships of the United States. In fact I am inclined to suspect that they use other ships possibly fully as freely if not more freely

than they use our own ships. The United States Agricultural Export Corporation would in its very nature use them to the exclusion of other ships where they could be utilized.

The CHAIRMAN. The only way they could use them would be to induce the Shipping Board to put them to use.

Mr. BRAND. Yes; which they would be very glad to do.

The CHAIRMAN. The Shipping Board?

Mr. BRAND. Yes.

The CHAIRMAN. Is there anything in this bill directing them to do that, even?

Mr. BRAND. No. I think that would be a good direction to put in the bill.

The CHAIRMAN. You think it would?

Mr. BRAND. Yes. I note in your own bill some mention of the use of those ships.

The CHAIRMAN. In that bill I specifically direct those ships to be turned over and used for that purpose.

Mr. BRAND. I think my only defense, if I may characterize it as such, would be that it would seem to me not wise to direct that they be turned over, but to require their utilization, letting the Shipping Board continue to operate them, as they have the machinery for operation.

The CHAIRMAN. All right. Go ahead, Doctor, and explain the bill. I think the members of the committee have quite a few questions they want to ask you.

Mr. BRAND. I feel, Mr. Chairman, as if I were bringing coals to Newcastle. The committee has given so much attention to the bill that they probably understand it as well as I do.

Senator RANSDELL. I don't think you ought to feel that way about it. There is at least one member of the committee that would like to have you explain it. You have studied it, and we would like to hear the bill explained by some one who knows something about the subject. I think you ought to look upon us as students in explaining the bill.

Mr. BRAND. I don't assume to be a teacher.

The CHAIRMAN. Yes. I think we ought to start in, to begin with, on the assumption that it is not a very simple proposition.

Senator RANSDELL. It is a tremendously difficult problem, of course, and we want to simplify it as much as possible. Don't assume that we know anything about it now. Start at the beginning and go through from A to Z.

Mr. BRAND. May I say when I was asked to devote myself to this matter I was urged from all angles to make it short and simple, which reminds me of the people who want a short and simple income tax. There is no such animal. So it is with this particular matter. It is a rather difficult thing, and it can not be handled on too simple grounds, else you omit much that ought to be included. The chairman himself suggests an authority that might well be included, directing the use of the vessels of the United States, and so forth.

I will try to explain the thought that controlled in the carrying out of the plan.

A great many questions are involved that relate themselves to general public policy. Therefore, it seemed to me that it was not wise to rely upon s single body to perform all of the functions that would be required in carrying out the purposes of such an act. Therefore I adopted the device of a commission, which would care for all questions of public policy and would, to an extent, be a supervisory body controlling the most important actions of the corporation in such matters, for instance, as the determination of what is the exportable surplus. That affects every farmer in the United States. The business or trading organization, at such time as this organization would be a trading organization, might well see a business reason for setting the exportable surplus figure very high. The result of that would be high prices to the consumer, unduly high prices. There would be that danger to the consumers in this country; therefore matters of that sort are left in the hands of the commission and not in the hands of the corporation.

Similarly, with respect to when wheat once purchased shall be resold in the domestic market rather than exported. That is a question which is left to the public policy body; namely, the commission.

The commission is made up of three Cabinet officers and the chairman of the Tariff Commission, because the tariff also enters into this whole problem. Then we place upon the commission an additional member, the administrative commissioner, and the three functioning directors of the corporation.

Thus we have the Secretary of Agriculture as chairman, the Secretary of Commerce as vice chairman, the Secretary of the Treasury, the chairman of the Tariff Commission, the administrative commissioner, and the three directors of the corporation, the three functioning directors, I will call them, for convenience.

Agriculture thus is thoroughly represented, and the thought was that this commission would be sympathetic, though not unduly sympathetic, with agriculture, as I view it.

Two of the functioning members of that commission would be the nominees of the Secretary of Agriculture, and he himself would be one. The make-up, as a consequence, has a sufficient agricultural representation to insure its being, if we may use the expression, agriculturally minded. The only position created in this particular section of the bill is that of the administrative commissioner, who would be the functionary always on the job at the commission, to call it together when questions arose of their control or advice or recommendation, whether to the corporation or to the president, whether investigation should be made. He would be the one who would start the machinery working from the standpoint of the commission. He is the only person provided under the commission who is additional to the officers already in the service.

The corporation, on the other hand, is the business-doing body. As far as possible all public interest questions and public policy questions are divorced from the corporation.

The corporation is made up of the Secretary of Agriculture as chairman, the Secretary of Commerce as vice chairman, and three directors, two of whom would be selected from six names submitted to the President by the Secretary of Agriculture, and one of whom would be selected from three names submitted by the Secretary of Commerce.

We would then have a board of directors of five members—the Secretary of Agriculture, the Secretary of Commerce, two men nomi-

nated by the Secretary of Agriculture and appointed by the President, with the advice and consent of the Senate, and one nominated by the Secretary of Commerce and appointed by the President, with the advice and consent of the Senate.

The CHAIRMAN. That means, does it not, to get down to the real meaning of it all, that all of those names are selected by the President of the United States?

Mr. BRAND. They are all selected by the President of the United States, but the lists are submitted to him.

The CHAIRMAN. Yes; but the President of the United States could name every man on that list, could he not? What is the use of putting in that machinery when, after all, the President is going to select them? Why not let him select them all to begin with? If he told the Secretary of Agriculture and the Secretary of Commerce that he wanted this man or that man on the list submitted to him, it would be submitted to him without any question.

Mr. BRAND. I could not say as to that, but really my thought was this, that by arranging such a method of selection you would certainly have a corporation responsive and sympathetic to American agriculture.

The CHAIRMAN. I think it is a beautiful theory, but after all practically you place it all in the hands of the President. I am not complaining that it ought not to be done, but it seems to me that is just what you have done.

Mr. Brand. That is essential, I suppose, in the nature of the appointing power of the President. You can not limit this constitutional power.

The CHAIRMAN. Exactly. But you have undertaken here to have a list furnished from which he shall select these names. Of course the President can determine every name on that list, if he wants to.

Mr. BRAND. Yes.

The CHAIRMAN. All he would have to do would be to send to them the names of those he wanted to appoint. He would say he wanted your name or Senator Norbeck's name on that list, and the Secretary of Agriculture would put you on?

Mr. BRAND. Yes.

The CHAIRMAN. If he did not he would lose his own job, and he would put somebody in his place who would do it.

Senator GOODING. But this sounds nice, Mr. Chairman.

The CHAIRMAN. It does sound very nice. I was trying to get down to the practical operation of it.

Senator GOODING. It may help a little to have that provision in there, but let us not build much on it because it does not mean much.

The CHAIRMAN. It doens't mean anything. You might just as well say they are named by the President.

Senator GOODING. It doesn't do any harm.

Senator NORBECK. In practice it may mean that the President would take his list from the Secretaries.

Mr. BRAND. I have only been in the service for 20 years or thereabouts, and I have always found the President is quite likely to select men submitted by the members of his cabinet, where their knowledge of their ability was greater than his.

The CHAIRMAN. I think that would be true. On the other hand, he could say to the Secretary of Commerce, "I am going to appoint

John Jones on this commission, and I want his name on that list." And the Secretary of Commerce would put him on.

Senator JOHNSON. Would it not be better to have some people from the West or the Northwest to select from, that they can pick out these members from? That would insure more confidence than to centralize everything in Washington, and leave it to the Cabinet officers to do it. That will not insure confidence. We have a representative government and when we build up an institution of this kind I think you ought to pick men out from the farmers themselves, so that they will mix up, you understand. It might be that they would not agree on anything, but we will find out anyway what is going on. I am absolutely against the idea of sewing everything up here in Washington. That is the trouble with the Federal reserve bank, and that is the trouble with other things, and the parties in power will always try to build up their own fences, have their own men in it. If anything is going to be done, don't you agree with me that it ought to be mixed up a little? It would not hurt at all to have a party basis, a Democrat on there, a Farm-Labor man, or several of them.

Mr. BRAND. I drafted it originally so that it would be absolutely on a bipartisan basis, and it was afterwards decided that it would not be wise to place it on such a basis, but rather that the men selected for these places should be selected on their fitness to do the job.

The CHAIRMAN. Doctor, I agree with that idea. That is, the idea of making a bill bipartisan always results in confusion and dissatisfaction. There is a big difference between a board being bipartisan and nonpartisan. If we make it bipartisan and compel the President to appoint so many Democrats and so many Republicans it often means if he is a Republican he will select a Democrat that the Democrats are not satisfied with, and if he is a Democrat he will select Republicans that the Republicans are not satisfied with, and they make a partisan body of it right off.

Senator GOODING. They don't work together at all?

The CHAIRMAN. No, they don't. There are men who are nonpartisan, who do not take any active interest in parties. There may be a man who stands out, conceded by everybody to have absolutely the best qualifications for the position, and he would be disqualified under the law.

Mr. BRAND. There are two other bases of selection that I considered. First, by the type of business: One to be a grower, one to be a domestic wheat merchant, and the other to be an exporter. And then I also considered the possibility of making it regional. Immediately you run into a lot of difficulties, and if you tried to make it representative you would have a body that was so unwieldy that it would not be workable.

Senator NORBECK. I don't see how it could be anything but national in its scope.

Mr. BRAND. Yes; it must be.

So much for the way of arriving at the personnel; that is, the important personnel of the two organizations.

Senator NORBECK. You feel that a single body is not sufficient?

Mr. BRAND. Senator Norbeck, my thought was that these questions of public policy should not be left in the hands of the business-conducting agency. It is wholly conceivable that, for instance, to make

a fine showing, to have a surplus to return to the Treasury, or some such ideal, that the business-doing body might select a course of action that would not be altogether to the best interests of the public as a whole, and that was the main thought.

The CHAIRMAN. Now, as against that, Doctor, it seems to me the way you put this business policy part of it, you put it in the hands of Cabinet officers, men who, perhaps, are appointed originally for political reasons. They may be the best men in the world, and they may not be. It seems to me that those who are going to run this institution ought to be absolutely divorced from all politics and all political parties and should become experts in their lines. You would not expect the Secretary of Agriculture and Secretary of Commerce, even if they did become experts, who are burdened down with a million other things, to give it their personal attention, and they would have to turn it over to somebody else.

As I said, in the first place, they are not appointed with these qualifications in view, but they are appointed because some faction of the party wants this man or wants that man. Those things are not considered in the appointment. It seems to me to run this great institution you would improve the bill if you took it away from Cabinet officers and appointed men who are going to be permanent and who would not be removed on account of something outside of the business connected with this corporation. In other words, the President might remove the Secretary of Agriculture because he disagreed with him on a matter of patronage, something entirely foreign from this corporation. The same way with the Secretary of Commerce. They never would become experts in this line, because it would be impossible.

Mr. BRAND. So far as the Secretary of Agriculture is concerned with patronage, we have only two presidential appointments in the department, so that that particular type of question would not be as likely to arise as it might be in some other department.

The CHAIRMAN. The Secretary himself is subject to that.

Senator GOODING. I can see where the Secretary of Agriculture may very properly be on the board, but I can not see any use of any other Cabinet officer. It is foreign entirely to their affairs, and is connected with nothing with which they come in contact at all, and I can not see where they would be of any help at all.

Mr. BRAND. You refer, Senator Gooding, to the personnel of the commission, I take it.

Senator GOODING. Yes.

Mr. BRAND. Of course the export policy of the country is in the hands of the Secretary of Commerce, and one of the most important items of our export is wheat, of course, and much of the products sought to be aided by the bill are export products which are under the surveillance of the Secretary of Commerce. Then the idea of the Secretary of the Treasury was that this proposes to take a large sum of public money and utilize it for a specific purpose, and his conduct of the Treasury Department would put him in position to give extraordinarily valuable advice with respect to the use of those moneys, and all questions of risk thereunder; and this would make it his duty to render such aid as he could, and he should be the most able of anyone to give useful aid on all financial problems involved.

The chairman of the Tariff Commission is included for perfectly apparent reasons, because the bill provides that the commission shall determine the duty to be levied on agricultural products, in order to carry out the provisions of the bill.

Senator GOODING. That is possible, but here is the trouble again. They are overloaded. It is impossible for them to understand clearly what they are doing at the present time. It has to be passed up to them, and we find that they do some things that the country does not accept, and I don't know how we are going to avoid it.

Mr. BRAND. I agree with you that they are overburdened and they must delegate some of their duties.

Senator GOODING. On the other hand, in a country of the vast size and importance of the United States I do not see how we can avoid that problem in any definite and workable way, but is there any use of adding to their duties and obligations? They can not have much time to give attention to this, and it is of too much importance to be neglected.

Senator JOHNSON. When the grain growers in Canada started to export they hired a man that they knew. He did not know very much about it. So they lost quite a bit of money. Then they went over to England and hired a man that knew something about the export business, and they paid him a mighty good salary, and he made good. About two years ago he was killed in an automobile accident. I don't know how it is right now. That man knew what he was doing. That is the reason I insist that men should be picked who are expert in that line. You will never make a success in a cooperative enterprise unless you get the right man to run it. We made a failure because we did not get a man who knew how to run the business. In Minnesota, when we expended $100,000,000 in 10 years on roads, if I had been elected governor I would have picked a man, although he was a Republican, because I had confidence in his ability to build the roads. I do not say you ought to pick a farmer who does not know anything about it. There were some in my own party that did not know anything about it. I would have picked a man that I had confidence in, that knew something about building roads.

Mr. BRAND. That is essential. This never will be successful unless those same principles are observed absolutely.

To continue, Mr. Chairman, the management of the corporation would, of course, be vested in the board of directors as it is in every corporation. The duties of the Secretary of Agriculture and Secretary of Commerce would not involve daily participation in the conduct of the business. The creation of the office of managing director under the bill would place in him the chief administrative responsibility, as is the case with practically every corporation. Some one has got to be selected, and the power and responsibility must be more or less centralized in that individual, if you are going to get results. That is the reason for designating one of these man as managing director and setting him out as the bill intends.

With respect to the capitalization of the corporation. The capital is raised from three sources. First, the bill provides directly for a capitalization of $200,000,000, then it authorizes the raising of an additional sum through sale of bonds or debentures or otherwise. Then it would have a third source of capital arising from the creation

of the equalization fund. We assume, for instance, a wheat crop of 750,000,000 bushels, with scrip to the extent of 25 cents, say, roughly, issued on each bushel. That would create an additional $187,500,000 in the working fund of the corporation, so that the corporation would have, roughly, under the circumstances assumed, a capitalization of $600,000,000. That is certainly not excessive to do the job which is contemplated under the bill. The Steel Corporation, I think, has outstanding something like $400,000,000 common and over $300,000,000 of preferred, and perhaps $500,000,000 of debentures of all kinds, or a total of something like $1,400,000,000 for that one industry, and one enterprise in that industry. The wheat growers alone number something like 2,000,000 in the United States; so that I would say that the amount set out is not excessive in order to carry out the purposes intended by the bill.

The United States certainly is not legally liable for the indebtedness of the corporation, and the corporation is subjected to the usual taxes that would fall upon any corporation, and, frankly, the purpose of that was to eliminate a certain amount of criticism that would come that the farmer was demanding some special consideration that other people were not getting and that he was not entitled to. We thought we would disarm that much criticism by subjecting the corporation to taxation.

Senator NORBECK. On the assumption that they were exporting wheat only?

Mr. BRAND. I should say that it ought to be possible to do the administrative work of this corporation, utilizing, as you understand, Mr. Chairman, existing trading agencies, but to carry on the actual functions of trading, broader powers are given in the bill. The corporation can itself engage in trading, but the thought is that you will use existing agencies to the greatest possible extent. We would not want to go out in South Dakota and build another elevator where there are already six elevators, and certainly we would not want to put another exporter in the export trade when there are already seven or eight there functioning satisfactorily; and similarly with other things; and I think if the matter were handled in that way the administrative expense of such a body could not be very great. I dislike to give a curbstone judgment, because I have not made up any careful estimate, but it seems to me $2,000,000 would cover the administrative expense.

Senator GOODING. Of the handling of wheat?

Mr. BRAND. Yes; that may be setting it too low, but just guessing, that is my idea about it.

Senator NORBECK. Would you prepare for the committee a little more detailed estimate of that?

Mr. BRAND. I will try to. That would be a wild guess, Senator Norbeck, but I would be glad to try it.

Then with reference to powers. The commission is clothed with the broadest possible powers. In making the suggestions that the drafting section used in selecting the powers to make them broad, I aimed to include every corporate power that I could think of in the corporation, that I had any knowledge of, and for that reason I think that they do cover the field very thoroughly and would enable the commission to do all the things that are necessary in order to function efficiently in segregating the surplus and supervising its marketing in foreign countries.

Senator GOODING. Tell us what they can do.

Mr. BRAND. Well, they can buy and sell any of these products that are covered under the bill in the foreign market. Under the direction of the commission they may buy and then resell in the domestic market whenever the commission finds it necessary or desirable. They may under stress of necessity, even acquire physical facilities, but the tenor of the whole thing is to avoid that.

Senator GOODING. Not to upset the present machinery at all?

Mr. BRAND. That is true. They can to a slight extent acquire transportation facilities, but only under local conditions, and only with the approval of the commission. They can accept all kinds of concessions from foreign governments, which might be necessary in carrying on an export business. They can issue bonds and debentures up to the limitations of the bill. The number of powers conferred are very great and I think are thorough, enabling them to do anything that will be necessary. They also have the power to buy elevators, processing plants and instrumentalities of that kind, which might be very necessary.

Senator GOODING. I am, of course, anxious to not interrupt you in any way in giving us a very clear idea of the bill, which I feel you are doing very fully. I think this is very valuable, but have you worked it out to see how many States the commission would likely have to operate in?

Mr. BRAND. Practically every State. Even though it did not have agencies it would have representatives, and the bill authorizes the selection of such representatives to perform the functions under the guidance of the corporation and under its authority. In other words, it would not be necessary to set up a complete grain selling and buying agency such as was done during the war under the United States Grain Corporation act. The purpose of this bill is not to handle the total wheat crop of the United States; it is to segregate the exportable surplus and dispose of that.

Senator GOODING. What would be the effect in States where wheat is, say, $1.50 or $1.60 a bushel at the present time?

Mr. BRAND. It could have no effect, so far as I see, unless the factors that operated locally to give the present premium price over the rest of the country would still operate under the operations of a corporation of this kind, which I do not conceive to be the case. I do believe that there are cases where competition locally would tend to give a slight premium over the ratio price which the bill would seek to maintain, but generally speaking I don't know of any section of the country, or at least I don't recall one where that is as notably true as the figures you mention.

Senator GOODING. I think that is true in South Carolina, if I remember right. At any rate, in one of the southern States wheat is very high because they grow very little, and it all has to be shipped in there.

Mr. BRAND. So they get the market price plus the cost of delivering it there.

The CHAIRMAN. In that case, Doctor, the scrip would have to be issued by the purchaser just the same.

Mr. BRAND. You would have a primary transaction, and scrip would have to be issued if this plan is to be worked effectively.

The CHAIRMAN. Every purchaser, therefore, would in some way have to be under the control of this corporation?

Mr. BRAND. No.

The CHAIRMAN. What would happen in South Carolina and places like the Senator from Idaho mentioned? The local elevator could buy wheat from me and not give me scrip, but pay me the whole price?

Mr. BRAND. I was going to comment on that in connection with the apportionment of the expenses and equalization of losses.

The CHAIRMAN. All right.

Mr. BRAND. I might just briefly cover the sections conveying miscellaneous powers and miscellaneous duties in the way of audit and accounts and things of that sort, which seem to me to require no discussion, and we can go right to the question as to how the equalization losses would be handled.

One of the fundamentals of the bill is that the United States can do something for the wheat grower that he is unable to do for himself under existing conditions, but the expense of the conduct of these operations is to be borne by the product. In other words, it is to come from the producer of the wheat. Hence the adoption of the device of scrip, which shall pass in every primary transaction where wheat is sold. The amount of scrip would be determined—that is, the amount per unit or in percentage of value would be determined by the world price and its relation to the ratio price, which is sought to be obtained under the bill.

Senator GOODING. Now, explain, will you, if you please, what happens in, we will say, South Carolina, with wheat selling over the ratio price at the present time that you would name for next year? What is going to happen? Wheat is going, of course, to sell very much higher down there?

Mr. BRAND. I rather doubt that, Senator Gooding, but you have a perfect right to assume that it will.

Senator GOODING. It must go up in proportion. There is not enough grain in South Carolina and those States. They have to ship some in there.

Mr. BRAND. Yes.

Senator GOODING. That grower down there is entitled to the benefit of the cost of shipping it in there. That is what he is getting at the present time. What happens to him in that case? Do you reduce his price? That is what I mean.

Mr. BRAND. Do you reduce his price?

Senator GOODING. Yes; do you reduce his price?

Mr. BRAND. We do not, absolutely. When I get to it, I want to touch on the price which is now above the ratio price.

Assuming you are a farmer in South Carolina and you bring your wheat in, and that the ratio price we are driving at is $1.50, and that the cost of delivery is 8 cents from the northern point, we will say, Charleston. It would be reasonable to assume that you would get some part of the cost of delivering from competitive places to the place of use, and we will say that the 8 cents was the margin. Nevertheless, if 25 cents was the amount of scrip that was decreed to be issued in every such case, that amount of scrip would pass between the purchaser and the seller in every case, and he would be entitled, when the accounts were cast up, to receive exactly the same dividend from the equalization fund that any other person who furnished moneys for the fund received.

Senator GOODING. Yes; but you are touching him and he does not get any benefit. He is getting the benefit, of course, because he is getting an increased price, but he might be able to sell his wheat there if there were no restrictions on it, for the full amount of your ratio price, owing to the fact that there is not enough produced in the State, and it must be shipped in there. He is getting that benefit to-day.

Mr. BRAND. It is assumable, but the only premium he can get is the premium that arises from the cost of delivery of grain from available points.

Senator RANSDELL. You do not require every producer of wheat or any other crop in this country to go into this organization, do you?

Mr. BRAND. Every producer of wheat is required to enter into this proposition.

Senator RANSDELL. Every one?

Mr. BRAND. Every one who sells wheat from his farm.

The CHAIRMAN. Wherever, Senator, they declare an emergency as to any crop. If they do it as to cotton every cotton man must go into it.

Senator RANSDELL. If he has any cotton to sell he has got to go into this? Is that the idea?

Senator GOODING. His crop goes into it.

Senator RANSDELL. I mean his crop.

Mr. BRAND. The only crops that are affected are wheat, corn, cotton, and wool, and livestock and a few products of livestock.

Senator RANSDELL. Yes. You did not add rice. My people are very much upset because you did not put rice in there. I have got to introduce an amendment so that if the bill ever becomes law you have got to do the same thing for rice.

Senator GOODING. I think we ought to do that, too.

Mr. BRAND. America consumes far more rice than it produces.

Senator RANSDELL. I grant you that.

Mr. BRAND. And the purpose of this bill is to take care of exportable surplus. For instance, the purpose of this bill is to take care of cotton, just the same as wheat. Momentarily cotton requires no protection, because the price of cotton is above the ratio price.

Senator RANSDELL. But you include wool, and we import an immense quantity of wool.

Mr. BRAND. Yes; and we are now increasing our herds about a million a year, so that ere long wool may come under the protection of the bill and we want it to be protected if it reaches that point.

Senator RANSDELL. Is there not a possibility that we will be exporting rice? We do export a lot of it.

Senator GOODING. We export California rice, I know.

Senator RANSDELL. Don't confine it to California. Louisiana is a big exporter of rice.

Mr. BRAND. Cotton is high because we had a very heavy yield in one part of the Cotton Belt, with a very low yield in another. You will recall, Senator Ransdell, that the crop of 10,000,000 bales was worth $1,569,000,000, whereas in 1914 a crop of 16,000,000 bales was valued December 1 at only $548,000,000, a difference of a billion dollars in spite of the fact that the crop is 6,000,000 bales less.

Senator GOODING. Let me ask you this question: If you make the ratio price, say $1.50, does that mean $1.50 to the wheat grower in the country, in Louisiana, or South Carolina, where they are getting $1.50 now?

Mr. BRAND. That means that the corporation will purchase for export at that price, and that price is paid part in cash and part in scrip.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, the committee adjourned until 10 o'clock a. m. Saturday, February 9, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

SATURDAY, FEBRUARY 9, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Gooding, Harreld, McKinley, and Johnson.

The CHAIRMAN. The committee will come to order. You may proceed, Mr. Brand.

FURTHER STATEMENT OF MR. CHARLES J. BRAND, CONSULTING SPECIALIST, DEPARTMENT OF AGRICULTURE, WASHINGTON.

Mr. BRAND. The question was raised yesterday, Mr. Chairman, as to the increased cost to consumers of the operation of a bill of this character, and I responded that it would undoubtedly tend in that direction. I would like to amplify that statement a little by calling attention to the situation as to the great body of consumers, especially the laboring men in practically all industries. The index figure of wages has risen almost with absolute regularity from as long ago as 1907, when it stood about 92, and has risen until in 1923 it was 193, or an increase of over 100 per cent in wages in the industries employing the union scales. At the same time farm wages have risen only about to 140, or 40 per cent above the pre-war level. So that the proposal involves merely establishing some sort of an equitable parity between the consumer and his earning power and the selling power of the farmer and the wheat farmer in particular, the pork producers, who are at a distinct disparity in this whole matter. The factory wage scale is at a greater disparity even than the general wage scale. It stands somewhere about 220 or 211, as I recall it, so that wages have increased out of proportion. I just wanted to amplify my statement as to the effect on the consumer. In other words, the consumer's earnings have increased very largely both in money wages and real wages, while the farmer is receiving less for these exportable products, so that the disparity created will still not even up the inequalities.

Senator GOODING. Did you mention the price of labor, both pre-war prices and at the present time?

Mr. BRAND. Yes. I mentioned it in the form of the index figure. I say it has risen from 92 in 1907 to about 200 in 1923; 220 in factory

wages, and 193 for all wages using the union scale. This is based on the Bureau of Labor statistics.

Senator GOODING. They increased farm labor about 100 per cent at the present time over 1907?

Mr. BRAND. No; it makes farm labor about 40 per cent over 1907. Farm labor stood in August about 140, the index figure, while factory wages stood at 220, or, in other words, farm labor was 80 points below factory wages.

Senator MCKINLEY. What were railroad wages?

Mr. BRAND. Railroad wages? I believe something like 186.

The CHAIRMAN. Just what does that mean?

Mr. BRAND. The figures I gave you are in terms of index. The wage scale has not increased in its real buying power as much as it has increased in its money value.

Senator NORBECK. But this percentage of increase is figured in dollars, is it not?

Mr. BRAND. It is figured in dollars, but it is converted into an index figure.

Senator NORBECK. But it is figured in dollars and not in commodities?

Mr. BRAND. Yes; in dollars. It is arrived at by the use of dollars. The figure itself is not dollars. It is an index figure.

Senator MCKINLEY. May I ask, so as to get it in the record along with that, what is the farm product index number?

Mr. BRAND. The index for all farm products? I did not expect to be asked that question. I have it here in the form of the purchasing power of farm products, combining all, and for 1923 it is 71.6 compared with 100 in 1913.

Senator NORBECK. That means that the farmers' dollar has a purchasing power of 71.6 compared to pre-war?

Mr. BRAND. Yes; as to 1913, when the index number was 100.

Senator NORBECK. That means that the cotton farmer would stand at a better percentage than would the wheat farmer? Is that right?

Mr. BRAND. Yes; the cotton farmers' position is this: On November 1, 1913, the weighted farm price of cotton was 12.2 cents, while on November 1, 1923, it was 31 cents.

Senator NORBECK. Then the wheat farmers' index number would be way below 71.6?

Mr. BRAND. He is better off than he was in 1913, when wheat stood at 71.9, and in 1923, at 92.3.

Senator MCKINLEY. Then labor was 40 per cent.

Mr. BRAND. That is true.

Senator GOODING. You spoke of 1907. Compared with 1912 and 1913 the wages at the present time are more than 70 per cent or 40 per cent, or whatever that figure was, in actual dollars and cents?

Mr. BRAND. Yes; undoubtedly. I was giving you the comparison of August, 1923, factory wages and farm wages.

Senator GOODING. That is the comparison; yes.

You have not compared the wages on the farm one year with another?

Mr. BRAND. No.

Senator GOODING. You have not done that at all?

Mr. BRAND. No, sir.

Senator GOODING. The question I want to ask is a comparison of farm wages pre-war and to-day; what is their relation?

Mr. BRAND. I can not give you that in the form of an index number, but I can say from the fact that I am interested in some farms that we are back almost to the pre-war level in almost every place. That is not true in the Pacific Northwest, where farm wages are still holding high; and of course harvest wages are still high all over the United States.

Senator GOODING. How about down south?

Mr. BRAND. I am interested in cotton farming.

Senator GOODING. That is not true of the whole country. Take it in the South, they have always had cheap labor.

Mr. BRAND. It is only relatively true even in States like West Virginia and western Maryland.

Senator GOODING. You had a figure of about 70 per cent, as far as the West was concerned. What would you say about that, Senator Johnson?

Senator JOHNSON. About what?

Senator GOODING. That the wages in the wheat belts to-day are on about an average of 70 per cent higher on the farm than they were in 1913?

Senator JOHNSON. Well, I guess I can agree with you on that.

Senator GOODING. What do you say about that, Senator Norbeck?

Senator NORBECK. I think you are reasonably close.

Senator GOODING. I think that is important to know.

Senator JOHNSON. That is, you don't figure the wages for the whole year?

Senator GOODING. Well, take the wages for the whole year; yes.

Mr. BRAND. One hundred in that basis of comparison that I have given you is 1914 in that case where I compared factory and farm labor; 1914 was the basis there. That is from the Bureau of Labor Statistics.

Senator NORBECK. I am not sure, Doctor Brand, that I get clearly this question. The farmer's dollar is to-day worth 71.6 cents. Some farmers are in better shape than others. Therefore, there must be some lines of agricultural production in which the farmer finds himself way below 71.6. Is that right?

Mr. BRAND. Well, the purchasing power of these different products is perhaps a little bit better expressed in this way. Certain farmers are much better off than other farmers.

Senator NORBECK. But the average is 71 per cent?

Mr. BRAND. The average is 71 per cent in terms of comparison, but the cotton farmer stands in this position: It takes 164 units of all other commodities in the list of the Bureau of Labor Statistics to purchase 100 units of cotton, comparing 1913 with November 1, 1923. On the other hand, the corn farmer can only buy 80 units of all commodities with his 100 units of corn.

Senator NORBECK. And wheat? How about that?

Mr. BRAND. The wheat farmer can buy 78 units of all commodities with his 100 units of wheat, and the hay farmer can buy 84 units of all commodities with his 100 units of hay, while the potato grower can buy 84 units of all commodities with his 100 units of potatoes. That is in terms of all commodities.

Senator NORBECK. How about beef? Have you got that?

Mr. BRAND. Yes; I have beef also. Beef cattle are at a still worse disparity. Both beef and pork. It takes 59. They stand at 59, both of them.

Senator NORBECK. That is the point I was getting at. Thank you.

Senator JOHNSON. Going back to potatoes, what year was that figuring on now?

Mr. BRAND. I am comparing 1913 and 1923 as of November 1.

Senator JOHNSON. You have those two bad years, 1922 and 1923?

Mr. BRAND. Yes. On the other hand, the egg man, it takes 163 units of all commodities to buy 100 units of eggs; it takes 111 units of all commodities to buy 100 units of butter, and it takes 143 units of all other commodities to buy 100 units of wool.

Those are the only figures that I have with me.

Senator GOODING. That would mean that the cotton raiser and wool raiser and dairy man are better off now than they were in 1913, and the others are 33 per cent worse off?

Mr. BRAND. Yes, Senator. And it is worthy of notice that in the case of each of those three products we are on a domestic basis, fortunately, and they are the only ones in the whole list that I read you that are in that fortunate position, and I don't know that I indicated it, but cotton is in that fortunate position only because of the ravages of the boll weevil, of the army worm, and other misfortunes, which are not evenly spread over the belt, so that there are certain sections suffering from the boll weevil, while other sections are doing very well.

Senator RANSDELL. As a matter of fact he is doing pretty bad in some places?

Mr. BRAND. I was in the South in October and I never saw as bad a situation as prevails in the cotton States. In spite of the fact that the price was around 12 cents in 1913 and 36 cents now, it does not mean there is any more prosperity in the cotton sections.

Senator LADD. A southern Senator told me that he planted for 150 bales last season, with every prospect of making it, and made 30.

Senator GOODING. The boll weevil curtailed the cotton crop, but it has not been done in a fair way. The boll weevil has destroyed some entirely and left others practically untouched.

Mr. BRAND. It is not evenly distributed.

Senator GOODING. He has not been fair about it. It would have been all right if he had been fair and played the game right.

Senator NORBECK. If he had taken a little out of each bale?

Senator GOODING. Yes; if he had taken a little out of each bale it would have been a good thing. Sometimes misfortunes teach us great lessons.

Mr. BRAND. I don't want to be understood in what I say about wages as criticizing the wage scale. I am strongly in favor of a high wage scale, and I think practically all farmers are, only they don't want to be the goats. They want to be on an equality.

Senator GOODING. He is getting foolish. He thinks he ought to be on an equality. He never has been. He has been nearer what he is at the present time.

The CHAIRMAN. Getting back again to where we started when you were interrupted about that wage scale, do you think those figures show that the union scale of wages is too high, considering the cost of living?

Mr. BRAND. Not in my judgment. I don't think they do show it. I think that shows that American labor is living on a desirable scale. and a scale which is well worthy of preservation.

The CHAIRMAN. I think you are right about that, but I am asking that question because you are discussing now the probable increase of the cost of living if this bill goes into effect. I don't know why you gave us those union scales unless it was to show that that kind of labor was being paid now a price that would enable them to absorb this increased cost of living without asking that their wages be increased. Is that your idea?

Mr. BRAND. I think that is the only inference that should be drawn.

The CHAIRMAN. I drew that inference. Now, then, if the wage scale is now none too high, considering the present cost of living, will it not involve an increased cost of living, and in that event would it not be true that they would ask for and be entitled to an increase?

Mr. BRAND. I don't think that would flow from an increase in the price of one, two, or three commodities, a small number of commodities.

The CHAIRMAN. No; but if the cost of living were increased—and you say this bill would have a tendency to bring about an increased cost of living—it would mean that those laborers who are getting the union scale of wages in various lines would have their dollar decreased in purchasing value to some extent?

Mr. BRAND. Yes.

The CHAIRMAN. That being true, would they not ask for and would they not be entitled to have the purchasing power of their dollar put back where it ought to be, and ask for another increase in wages?

Mr. BRAND. Well, I am looking at this from the farmers' standpoint.

The CHAIRMAN. I understand that.

Mr. BRAND. The farmer is working on the average I should say at least two hours a day more than labor.

The CHAIRMAN. That is conceded, and I concede all that in asking the question, but I am getting to the practical proposition that if we enact this bill and it does result in increased cost of living, the logical result will be another increase in wages.

Mr. BRAND. It will tend that way inevitably, but my thought is that it is not fair to take that out of the farmer, who is suffering now.

The CHAIRMAN. I admit that. Of course, the farmer is way below these other fellows. I realize that just as you do, and if there is no other way to do it except to follow that method, it ought to be done, even though it does increase the cost of living. But I am trying to trace out now fairly and honestly the results. It seems to me that would be the logical result.

Mr. BRAND. That would be the tendency, and it should be distributed over all of them, and not over certain groups.

Senator MCNARY. Do you think the raising of the price of wheat to a point where it can be profitably produced would increase the cost of living appreciably?

Mr. BRAND. I do not, Senator McNary. My own judgment is that the effect of this bill would not work, in the case of wheat, any demand for additional wages.

The CHAIRMAN. Of course, this bill, if it worked out as the authors expect it to, will not be confined to wheat.

Mr. BRAND. No; but to a relatively small number of commodities. The average per capita consumption of wheat is about five and a half bushels.

The CHAIRMAN. Do you think that the dealers would absorb that, and it would not increase the cost of bread, for instance?

Senator GOODING. No; they never do that, Mr. Chairman.

The CHAIRMAN. I understand that myself, but I am asking him.

Mr. BRAND. They will, to a considerable extent, absorb it.

The CHAIRMAN. Do you think that any middleman or dealer ever absorbs anything of that kind if he can get away from it? Is it not the tendency, and has it not been the tendency, that if you give him an excuse, the middleman, instead of absorbing it, will increase his profit, and he will increase it more than the increase that comes to him? He uses it as an excuse to add to his profits, and the next dealer does the same thing, and when you get it to the ultimate consumer you have added not the actual difference in cost, but you have doubled that three or four times.

Mr. BRAND. That frequently occurs, and undoubtedly there will be agencies that will utilize this or any other measure that Congress might pass to add to their profits, or to cover more adequately the costs. However, the situation with respect to bread and wheat is such that it is generally believed that a considerable increase in price might occur without any general increase in the price of bread.

The CHAIRMAN. I know that is true, and it may be if it were worked out it could be done that way, but in practice it never is done that way, so far as I know. For instance, now, a few years ago the dealers in shoes, say, would always tell their customers, "Why, this is an awful price," and all that, "but Congress has increased the duty on hides, therefore they should cost more." As a matter of fact hides were on the free list, but the customer does not know it, and the dealer, if he did know it, gave that as an excuse for adding something to the price, and did add something. I think that is customary in all lines of business.

Senator GOODING. Pyramiding. There is no question of doubt about it.

The CHAIRMAN. The manufacturer will add it, the jobber will add it, the wholesaler will add it, the retailer will add it, and those things are doubled and trebled by the time they get to the consumer.

Senator GOODING. That is the absolute fact, and you can not get away from it. As I understand this bill, take this view, that the thing is out of balance as it now exists. We, for a hundred years or more, until the great World War came on and tipped it over, have been bringing about an adjustment between farm prices and labor and consumers very generally, and while it may increase the price of living a little bit on the four or five products put in there, it only brings about a more even balance as between all the consumers, laboring men and everybody else, than exists at the present time. It can not go on as it is now. The balance is over too far, and labor is going to be 100 times better off if the farmer can have a little prosperity, because the farmers' boys now are all going into town competing with labor for its job, and sometimes they have taken it away. I don't think the laboring men above all men, I believe—at least those who are giving this matter any thought or consideration—are going to be the ones who are going to object to the farmers being moved up a step or so, so they can get on and grow something to eat. Is not that the thought that is behind the principles of the bill?

Mr. BRAND. Exactly so. This much is certain, that the conditions that have prevailed nearly four years now, and with a movement of over a million men from the farms to industry each year during that period, if it is continued much longer the ill effect on industrial labor will become very apparent, because there will be an oversupply of labor then, and necessarily a readjustment of wages downward in industry.

Senator GOODING. That is, the man who is going to be helped most of all in this bill, if we can bring agriculture up so that it will be in fairly prosperous position, is the laboring man, because we have reached a position in this country where the country can not go on in the condition it is now in, with agriculture paralyzed, and with every industry in this country overdeveloped. It can not continue at all unless you can get somewhere near an evenly balanced condition. There never has been a time in the history of the country when the country has been prosperous with agriculture paralyzed for any length of time. At the present time it has been extended longer than ever before, and that is because of our great balance of trade with Europe, and it has been true on the other hand that when manufacture has been depressed agriculture has not been prosperous very long. The two great industries are vital to the prosperity of the whole country. We have got to keep them together, somewhere near on a parity.

Senator JOHNSON. Doctor Brand, I don't think I asked you yesterday, but I asked another witness, if the price of wheat goes up 50 cents a bushel, we will say, what effect will that have on the cost of bran and shorts and other feeds and by-products of wheat?

Mr. BRAND. It would undoubtedly raise the price of those. However, the thought in all the discussions of this bill is that as far as possible, at least a large part of the exportation provided for by the bill should be in the form of flour, thus leaving a greater percentage of the milling offals available for dairy and other feeding in the United States.

Senator JOHNSON. While we are on that, Doctor Brand, I want also to ask you another question. When Mr. Jewett outlined the bill for us the first day he thought that the price of wheat would be about $1.50 a bushel, based on the average price between 1904 and 1914. Is that correct?

Mr. BRAND. Yes; it would be a trifle over that, arrived at by the basis that is outlined in this bill. That is based on No. 1 Northern.

Senator JOHNSON. Can you give the committee about what corn will be, and rye, or anything of that kind?

Mr. BRAND. In the case of spring wheat—perhaps we had better take all wheat, which is arrived at by taking the average of No. 2 red winter Chicago and No. 1 northern spring at Minneapolis. In the case of wheat the effect of the bill should be to raise the price, for instance, for the month of November, to $1.50. By the way, all other commodities at that time stood at $1.624, while wheat, you see, was very much below that.

In the case of corn the situation is this for November: The calculated price, namely, the ratio price, would be about 97 cents, whereas it actually was 84 cents, or 13 cents less.

In the case of cotton, as you know, we have the reverse situation, because of the situation which we discussed a few moments ago. Whereas cotton actually was about 35 cents in November, or 33 cents on the farm, under the operation of the bill, if it affected all products, which it does not do, it would have been 18.74,but the bill specifically exempts all products except those that are below the ratio price.

Senator RANSDELL. So that, as you consider it, it would not have meant a reduction in the price?

Mr. BRAND. Absolutely not.

Senator NORBECK. The wheat farmers are trying to get up to the same basis as cotton would be at 18 cents plus?

Mr. BRAND. At 18 cents plus. That is exactly the case.

Senator JOHNSON. I know, Mr. Brand, you are an expert in this line, because you have been digging into it for years. When you mentioned No. 2 red and No. 1 northern, are these lower grades going to be taken care of then in proportion?

Mr. BRAND. Yes. They would not be dealt with specifically, but they would, of course, take their differential.

Senator JOHNSON. But would there be an opportunity to discriminate in buying those lower grades? That is where we farmers get it in the neck the worst, as you know.

Mr. BRAND. I doubt whether it would afford any opportunity which does not at present exist. In fact I think it would afford an opportunity for a fairer treatment by reason of the fact that the corporation being a Government body could by its purchases, help the lower grades. Most of its purchases for export would be of the lower grades, and it seems to me it would help the lower grades.

Senator JOHNSON. You think this commission would look after the farmers on the lower grades?

Mr. BRAND. I certainly do. I think it would from choice and from necessity, because those are the grades that are exported.

Senator JOHNSON. You know some years we don't get any of those grades in the Red River Valley in Minnesota.

Mr. BRAND. Those are the grades exported so that the commission would, by buying the lower grades, help the lower grades. That is my judgment.

Senator GOODING. Of course the wheat would all be bought on the basis of No. 1 northern, would it not, the same grade of wheat?

Mr. BRAND. Yes; and the supply and demand for the lower grades would have opportunity to express itself.

Senator JOHNSON. As you know, Doctor Brand, the buyers of grain always buy a whole lot of cars, several cars of lower grade, and then they buy a car or two of the higher grade. They even go as far as to buy and pay a premium, and then they mix them. and when that wheat comes out there is where they make their money.

Senator GOODING. That would be eliminated in this, would it not, to an extent?

Senator JOHNSON. At least if it was not the farmer would get the benefit of it?

Mr. BRAND. Certainly. On the very point that Senator Johnson mentioned, there is a shortage of high-grade milling wheat in the

spring wheat territory this year. As a result No. 1 dark northern is at a very high premium relatively. So generally when you hear this question discussed you will have people pointing out that wheat has brought a good price and they will point to No. 1 dark northern, of which there is a shortage. The farmer has produced very little of that grade. That explains the amount of Canadian wheat that is coming in in spite of a fairly good tariff.

Senator GOODING. It has been coming in right along now for four or five years.

Mr. BRAND. Yes; and is is coming in right now in spite of 30 cents a bushel tariff. Although the tariff is a distinct help, it has not resulted in absolutely keeping out Canadian grain. But it has been a very distinct help to our farmers. For instance, No. 3 of the Canadian grades is about 97 cents. No. 3 grades about two-thirds of our No. 1 northern and about one-third of our No. 2. In other words, their grades are very much more exacting than ours. Their No. 3, as I say, is 97 cents, whereas our No. 1 is bringing about $1.12. So that you see there is a distinct advantage in the tariff, though it does not extend to the full 30 cents. There are other factors that enter into it, of course.

Senator GOODING. The only factor is that the miller does not pay it. That is the factor. He never does pay it.

Mr. BRAND. There is a lower transportation cost.

Senator GOODING. That has not anything to do with the price of wheat at Winnipeg and Minneapolis, has it?

Mr. BRAND. Yes; it has.

Senator GOODING. He does not pay it, that is all.

Mr. BRAND. It has to do with the parity of prices. The cost of delivery in Minneapolis is a factor because it has to go to Port Williams and Port Arthur and then down to Minneapolis. The freight rate structure is such that it almost never moves directly across the border. It almost always goes to Port Arthur or Port Williams and comes down that way.

To resume, just a word about the question of hogs which was raised. The price of hogs in November, of all hogs marketed at the great markets, was 7.05 cents per pound.

Senator GOODING. If I may go back and clear up that matter on wheat, this is the point I want to make:

Winnipeg and Minneapolis are great export stations, you might say, of both wheat and flour, or at least Minneapolis is of flour, and there the wheat is exported also. The point I want to make is that the millers do not give the farmer the full benefit of the tariff, that is what is the matter with that, considering the channels of shipment, or anything of that kind. He does not pay any more than he has to.

Mr. BRAND. I can say this, Senator Gooding, that the price of milling wheat in Minneapolis is about the parity of the country. In other words, they are paying more so that they are attracting wheat from as far away as Oklahoma.

Senator GOODING. They are paying more because they want a certain grade, that is all.

Mr. BRAND. They lack good milling wheat and they have got to bring it in.

Senator GOODING. And there is established there about a third of all the milling capacity in the United States. That is one reason. Of

course they pay a higher price for those grades of wheat. I suppose they throw in some of the lower grades and mix them, blend them. The point I am finding fault with is that the millers get their compensatory duty on the flour, but they are never fair about it all the way through, as far as giving the farmer the full benefit of the tariff, and they never will be until the compensatory duty is so arranged that their compensatory duty is equal to the price plus the tariff—that is, the foreign price plus the tariff. That is true of the woolgrowers. In some of the grades of wool they are not getting more than half. On one grade, especially, they are not getting but about two-thirds of the real protection that Congress gave them, and yet they are paying on the basis of the compensatory duty.

Mr. BRAND. I am not an apologist for the millers. They tell me they are not making very much money. I don't know whether they are or not. I have not examined their books and I don't know anything about it, but that is what they say; that they need help also. One of their arguments is that if you are going to help the farmer you ought to help them.

To finish regarding hogs, the actual average price in November was 7.05 cents. The ratio price of hogs, if we base it on the 1905 to 1914 average, would have been, under this bill, 10.85 instead of 7.05.

In the case of lard the difference is so slight that there will be no motive for placing lard under the operation of the law. The actual average price was 15 cents. The calculated or ratio price would have been 16 cents. We are relatively the lard source of the world, so that we furnish such a high proportion of the quantity used by the importing countries that we largely determine the price, which is not the case with wheat.

The CHAIRMAN. Doctor, if I may, I would like to go back again to the labor question where I was interrupted.

You have given us the relative value of the railroad men's wages. Is that in dollars and cents as compared to pre-war prices, or in purchasing value?

Mr. BRAND. That was the index.

The CHAIRMAN. In dollars and cents?

Mr. BRAND. Yes.

The CHAIRMAN. From your study, would you say that the present level of wages of railroad men is too high, compared with pre-war conditions, basing it on the purchasing power of their wages?

Mr. BRAND. I am not an expert on railroad wages, Senator. I am only anxious that we have in mind bringing about a parity. I don't know of any railroad man that is getting rich, but I do know of a lot of farmers that are getting mighty poor.

The CHAIRMAN. I know that. You always go back to that argument. I am not disputing that with you. I advocate that the same as you do. If the farmer is not getting a square deal, and there is no other way to help him except by pulling down the wages of the laboring man, he is entitled to it. But I want the facts as you know them.

Mr. BRAND. My understanding, if you are asking me the question whether real wages have increased the same in value as money wages——

The CHAIRMAN. That is, the purchasing power.

Mr. BRAND. It has not increased, to my understanding, quite as much, but it has increased nearly as much.

The CHAIRMAN. I am trying to reach this point, whether if this bill brings about an increased cost of living, the railroad men will ask for an increased wage, and whether if they do they will be entitled to it.

If the cost of living increases and the railroad men's wage does not increase, that would mean that the purchasing power of his wages was in effect decreased. If we would have to increase that, if it were right that it should be increased, then would it not follow that the railroads would take the next step and say, "Since wages are increased, we must increase freight rates"? Would not that be the logical result?

Mr. BRAND. Not necessarily.

The CHAIRMAN. But if they did not absorb it, would it not be the result? Would you expect the railroads to absorb it?

Mr. BRAND. As a matter of fact, according to the Bureau of Labor Statistics, the real wages as distinguished from money wages of all wage earners had increased 26 per cent in 1923 over 1914, therefore there is a distinct area within which they could still draw upon their present wages without an increase in wages, and still not be unfairly treated. Therefore, I say it does not necessarily follow.

Senator GOODING. You say 26 per cent?

Mr. BRAND. Yes.

The CHAIRMAN. Is not this true, that if the purchasing power of the railroad man's wage is none too great now considering the cost of living, and you increase the cost of living it would necessarily follow that his wages ought to increase? Would not that be logical?

Mr. BRAND. He would have to suffer some decrease in his real wages, I should say.

The CHAIRMAN. Now, if he did that would he not be demending, and because they are organized, would they not be able to get an increase of wages on the railroads?

Mr. BRAND. My impression is that they would not, in view of the present inequities. I think labor is fair-minded, and they would feel that the inequities are not as great with respect to themselves as they are with respect to farming.

The CHAIRMAN. I think they feel that way now. They advocate helping the farmer always, as far as I know. Still that does not answer my question.

Senator MCKINLEY. Is not this what you put into the testimony, that it takes $1.60 to buy what a dollar did before the war?

Mr. BRAND. Yes; $1.64.

Senator MCKINLEY. And that the railroad man now is getting $1.86 where he got $1 before?

Mr. BRAND. Factory labor is getting $2.20. That does not represent the real wages. That represents the money wages.

Senator MCKINLEY. Railroad men, $1.86 and building, $2.20.

Mr. BRAND. Factory wages are $2.20.

Senator MCKINLEY. I thought you said railroads.

Mr. BRAND. No; I said about $1.86, is my recollection.

Senator MCKINLEY. Really they are lower than the schedule of all wages on the average, but are a good deal higher than the farm-labor wages, which are $1.40.

The CHAIRMAN. Doctor, this bill has been criticized by some, who oppose it on two grounds which I want you either now or at some time in your testimony to cover. One is that the fixing of the price every month would bring about a fluctuation that would compel the dealer, if he could not hedge, to charge an additional price. Another one is that you would declare emergencies under this bill only after the product about which you were going to declare an emergency had gone down 10 per cent below the ratio price. I don't care to have you take those two things up now, but whenever it would be most convenient in your testimony I would like to have you take them both up.

Mr. BRAND. Yes.

If I may, Mr. Chairman, I would just like to conclude on the labor situation, because I don't want to be misunderstood. We feel with 97 per cent of all the employees of the building trades working 44 hours or less, in other words, having a Saturday half holiday every week and something like 89 per cent of all labor having 48 hours per week or less, that it is not unfair, or the principles of this bill are not unfair, even though it would tend to somewhat decrease the real price of labor.

Senator HARRELD. You speak of relativity of prices, and of course that is the purpose of this bill, but how can you have relativity without having some standard by which to measure in arriving at relative prices? I presume you mean to say that the relative price would be the standard. Is that what you mean?

Mr. BRAND. There is a distinct relativity, and it has a very broad basis under this bill. It has the basis of a 10-year average from 1905 to 1914.

Senator HARRELD. What would be that basis next year?

Mr. BRAND. You use the basis of each month as determined by the Bureau of Labor Statistics, and compare it with the basis for that 10-year period in order to create a relativity in the current month comparable with the purchasing power of the products over the 10-year period. To illustrate, in the case of wheat, the September price of wheat for an average of 10 years was 97 cents. In order to put it on an equal purchasing basis, September, 1923, compared with the 10-year average, it should have been $1.58.

Senator HARRELD. That is the standard by which you measure?

Mr. BRAND. We figured the 10-year average.

Senator NORBECK. That is a permanent standard from which the computations are made?

Mr. BRAND. Yes. Ten years is a long time. Any average which is computed over a period of 10 years is certainly not unfair.

Senator HARRELD. It is axiomatic that in order to obtain relativity you have to have a standard of some sort.

Mr. BRAND. Yes. That is the standard.

Senator RANSDELL. In arriving at the wages of farmers, etc., I suppose you take into consideration the fact that the farmers are furnished housing free of rent, wood, and water and everything of that kind on the farm which the laborer in the city does not receive?

Mr. BRAND. I have used two sources of figures; one the monthly labor review, and the other the report of the National Industrial Conference Board. Most of the figures I have given you are the

Bureau of Labor Statistics figures, and I am not in all cases familiar with the underlying procedure.

Senator RANSDELL. You would assume, though, that full consideration is given to that fact?

Mr. BRAND. Unquestionably, Senator Ransdell, because all of these figures are constructed with the greatest of care.

Senator RANSDELL. I am not familiar with it, but I am quite sure they do consider those facts.

Senator MCNARY. You said you wanted to clear up one matter, and then you would answer the question of the chairman. Will you discuss that at this time?

Mr. BRAND. His first question was the effect of having a monthly change of price, namely, that that would be disturbing to the present method of doing business. I am inclined to believe it would be.

Senator MCNARY. Would be disturbing to the present method of doing business?

Mr. BRAND. Yes; I am inclined to believe that it would be.

Senator GOODING. The present method?

Mr. BRAND. Yes. You see we would have 12 changes of price at least for the basic grade of the basic commodity, one each month, in order to keep it in tune with the 10-year average. Now, as I understand the chairman, the point has been made that that would create great difficulties with present operations because they could not hedge themselves in the futures market and would thus be deprived of their insurance.

The CHAIRMAN. Yes.

Mr. BRAND. I am inclined to think there is some merit in that contention. I am not at all certain, though, Senator McNary, whether it is great enough to warrant disposing of the principle of maintaining a parity of price rather than maintaining a fixed price for a year. I am not at all convinced of that, because it seems to me that it is about the difference between walking across the flower plot to get across the sidewalk, which is a perfectly proper place to be, instead of walking around the sidewalk.

Senator MCNARY. You think, then, that that would prevent hedging in order to insure?

Mr. BRAND. I am not certain.

Senator MCNARY. Now, as was suggested by a witness from Kansas City, could that price be fixed, say, in September or October for a period of 12 months?

Mr. BRAND. It could be fixed. In other words, you could compute it yearly. Using the yearly indices, you could compute a yearly average, and you could then use that if it is desired. Personally, I do not believe very strongly in fixing yearly prices. However, there is less objection under a plan of this kind to a fixed yearly price than there is to any other plan, because of the fact that the differences in the end are assessed back to the grower.

Senator GOODING. Is it not a fact that the first thing the wheat dealer and buyer does is to look at the price of wheat in the paper, and it may change every day. It does fluctuate more or less up and down every day.

Mr. BRAND. It fluctuates every moment of the day. That ticker is running from the opening of the market to the closing of the market.

Senator GOODING. And no tick is exactly the same. It is up and down. Of course, all tickers tick the same, but what I mean to say is that the market fluctuates.

Mr. BRAND. Yes.

Senator GOODING. And sometimes very widely?

Mr. BRAND. Yes.

Senator GOODING. And this will have a good deal to do toward eliminating that?

Mr. BRAND. It will undoubtedly tend to reduce the amount of fluctuation.

Senator GOODING. Tickers won't be quite so busy, will they?

Mr. BRAND. It depends. There is a possibility that the scrip might be found to afford a hedge, and that there might be a trading in scrip.

Senator HARRELD. Have you testified about the scrip yet?

Mr. BRAND. Only slightly yesterday, Senator.

Now, what was the second question, Mr. Chairman?

The CHAIRMAN. The second question was that the emergency is not to be declared until the fluctuation in the price is 10 per cent below the ratio price.

But before you go to that, would it be advisable to change the period of fixing the price? Suppose it were fixed every three months, or suppose it was fixed every six months, or suppose it was fixed at the beginning of the wheat season, say in September. Would that remedy that situation? Would it be desirable, and if it is not desirable, why?

Mr. BRAND. The idea of a fixed price is bad.

The CHAIRMAN. Well, you have a fixed price here.

Mr. BRAND. But it is a fixed price, it seems to me, that has a very distinct basis of reasoning that is altogether defensible. Somewhat the same defense can be argued for the yearly price which would be determined by the use of the same figures.

The CHAIRMAN. If it were fixed on a yearly basis, that would relieve the miller, would it not, from the necessity of hedging?

Mr. BRAND. I don't believe they would be deprived of the facility of hedging. I think that it is altogether possible that under the operation of this bill it would be found that the hedging market could still operate.

The CHAIRMAN. These grain exchange men say, or at least some of them, that it would drive them out of business.

Mr. BRAND. I know they do, Mr. Chairman. They have said that to me, and I am sure they say it—at least so far as their present information is concerned—honestly. I am not convinced that when the time comes if they will devote the same amount of energy and ability to discovering ways by which they can help such legislation they would find ways of still continuing to perform their function. It might not be what they are used to, but we are trying to meet an emergency.

Senator HARRELD. Could they use the scrip as the basis of hedging?

Mr. BRAND. It seems to me they could, and a great many of them have said to me that might be the result, that there would be hedging in scrip, which represents the difference between the cash amount paid for wheat and the final price.

Senator HARRELD. It seems to me they would have a safety valve there.

Mr. BRAND. I am inclined to think they would, but many of them are of a different opinion.

Senator GOODING. Your basis that you have established on 400 commodities there would not fluctuate so greatly as that it would be necessary, it seems to me, unless it is done more in a spirit of fairness than anything else to make a price every month.

Mr. BRAND. It is upon the principle of fairness to keep them responsive to changes.

Senator GOODING. I can see that there is some fluctuation in the price of those commodities, and consumers would be entitled to have the benefit of it.

Mr. BRAND. That is the point. We might, for instance, run into a period of national depression in industry and commerce generally, and it might come quickly when the index figure of all commodities would show a sharp drop, and if we were working on a monthly basis we could always accommodate the operations of the corporation to that, which would be in the interest of the consumer.

Senator GOODING. I don't see how anything could be fairer than this bill is. The more I study it the more I feel that running all the way through it there is a spirit of complete fairness, and it seems to me it ought to be accepted, especially by labor. I can understand the attitude of the speculator. Of course it is going to take this spirit of speculation very nicely out of wheat. There is no doubt about that. And I think it ought to be taken out. When you can have a safe method of transacting business, I don't know whether it is harmful or not to them. That is a pretty big problem, to say whether it is or whether it is not, whether it has been helpful at times.

Senator MCNARY. Mr. Brand, would it prevent mills from buying grain through the grain exchanges?

Mr. BRAND. Only if the general effect of the bill was to destroy the power to trade in the emergency or basic commodities. It would not in itself, but it might flow from the effect. For instance, just as an illustration: I might say that I do not think that it would put people out of business, and I doubt if we want to put them out of business, because being an emergency measure, when the emergency ceases to exist Congress wants these men to be there no doubt, ready to function again, which they might not be if they were put out of business in the interim. So I say that the opportunity to hedge is an important one. It might be somewhat disturbed by this. It is not clear to me that there would not be people who would find in the scrip or otherwise an opportunity to hedge themselves.

Senator MCNARY. I was speaking more particularly in regard to futures as favoring the grain exchange.

Mr. BRAND. The export part of the crop is almost always 100 per cent hedged, and it would be a question then of whether the corporation hedged its export purchases.

Senator RANSDELL. I wanted you, Mr. Brand, to point out the provision of the bill which would keep cotton from going down to the basic price. It is now pretty nearly double the basic price.

Mr. BRAND. Whenever the commission shall find that the ratio price would be higher than the existing price. Let me see. What section is that?

Senator GOODING. Where would cotton go before the commission would touch it? That is what we want to find out.

Mr. BRAND. It would have to be below 18 cents.

Senator RANSDELL. What I was interested in was to see whether the bill would cause cotton to fall in price to that basic price of 18 cents? It is now nearly double that. I want to know whether if the bill were enacted into law its effect would be to reduce the price of cotton?

Mr. BRAND. It is section 22 of the bill under "Special emergency." That is only when it would increase the price.

Senator GOODING. You don't touch it when the price gets above?

Mr. BRAND. No, because economic conditions have put it above and it is entitled to enjoy the higher price.

I find, Mr. Chairman, an inclination to misunderstand the bill as an intention to reduce the prices of these commodities when they go above the ratio price. Of course that is not the intention in any respect whatsoever.

The chairman raised the question regarding the 10 per cent provision.

The special emergency does not depend upon the price being 10 per cent below the ratio price, so I am not quite clear as to just what your question meant. The special emergency is declared upon the recommendation of the commission by the President, upon the general finding that the price is below what would be believed to be a proper ratio price. The 10 per cent provision as it stands relates to when the corporation might resell in the domestic market, or when it might purchase the quotas of future periods.

The CHAIRMAN. Well, they could sell in the domestic market when they had something that they had bought, say, for export. In other words, instead of exporting it they could sell it in the domestic market if the price went up 10 per cent above?

Mr. BRAND. Section 25, on the "export surplus," provides that whenever the purchase of the monthly quotas does not produce the effect of keeping the cash price of the whole at least above 10 per cent below the ratio price, thereupon the commission may revise the monthly quotas and instruct the corporation to purchase these quotas for future months in order to take that much more off the market and produce the ratio price. Then, per contra—and I recall now that my original suggestion was changed on that; the original suggestion was when the price was elevated to 10 per cent above the ratio price, thereupon automatically the commission should be required to dispose in the domestic market of any surplus it had on hand. However, that was changed, and now, upon orders of the commission when it deems wise it may order the corporation to resell in the domestic market rather than making it a provision of the law, so that we shall not export quantities to the disadvantage of our American consumers. That is taken care of now, only taken care of in a somewhat different way, leaving it with the policy-adopting commission to direct the corporation when it shall act accordingly.

Does that answer your question, Mr. Chairman?

The CHAIRMAN. Well, it was not my question, Doctor. It is one of the criticisms that has been made by those who are opposing the bill, and I wanted to give you the benefit of the criticisms so that you could answer them. I have not made that objection.

Mr. BRAND. I hope that covers it, and if there are any other features of the criticism that I have not covered, I would be very glad to cover them if they were called to my attention, if it was possible for me to do so.

The CHAIRMAN. The only idea I have in mind is to throw all the light on this bill that can be thrown on it, and if anybody criticizes it I would like to give you an opportunity to answer the criticism.

Mr. BRAND. I am glad to have that opportunity.

The CHAIRMAN. The operation of this bill, as it applies to wheat or something similar to wheat, corn or cotton, is comparatively simple, but we have not had anybody, I think, before the committee yet who has given a very satisfactory explanation of just how the bill could be made to operate with regard to hogs or cattle.

Mr. BRAND. With respect to hogs, as an illustration——

The CHAIRMAN. Yes. Take that as an illustration.

Mr. BRAND. My judgment now is that it may be found to be less difficult to deal with hogs, for instance, than with wheat, for the reason that so great a part of all of the hogs that are butchered are butchered in a relatively small number of plants. The slaughterings in the year 1923—and they were the greatest the United States has ever had—were 53,000,000 head of hogs, but they were all slaughtered, that 53,000,000 head, in the inspected plants now under the inspection of the Bureau of Animal Industry of the Department of Agriculture, so that immediately a very large proportion of the hog crop flows through a certain limited number of channels, a very much more limited number than in the case of grain. So I am inclined to believe that so far as actual practice is concerned it is going to be easier to reach hogs than to reach wheat.

The CHAIRMAN. To make it satisfactory, to make it fair to the farmer who has to stand the loss, whatever it may be, on the export shipments, you must in some way by some machinery prevent another farmer from staying out and avoiding the taking of any scrip and selling his hogs for cash. Otherwise you are imposing a burden on the fellow who is fair and letting the fellow who is not fair get away with the profits.

Mr. BRAND. That is true. Real uniformity must be absolutely observed in the case of hogs as in the case of wheat.

The CHAIRMAN. The difficulty with hogs is the question of how you can make this machinery follow them. Suppose I take a half dozen hogs in my wagon and take them to my home town and sell them to a dealer.

Mr. BRAND. You can follow exactly the same theory of the use of scrip with relation to hogs as to wheat.

The CHAIRMAN. For instance, you are a dealer——

Mr. BRAND. Yes; and I go to the post office, and we will say that only two products have been declared in the special emergency class to be basic commodities for the purpose of the act—wheat and hogs. There will be two distinct series of scrip stamps of the different values to cover these two transactions. It is possible it might be convenient to fix a method so that a single series would answer it, but two series would certainly answer it. I go to the post office and provide myself, as a buyer of hogs, with a suitable number of stamps to enable me to handle my business, and I buy one, two, six or seven hogs, and this statement should be based upon value rather than upon

quantity, and I suggest to the chairman that if the bill is reported you add to it a provision covering value instead of quantity only, because it is much easier to settle on the question of value than it will be on the basis of quantity, because there is such a difference in the valuation of the different quantities.

The CHAIRMAN. Now, here is a little station way out in Colorado, we will say, that is shipping hogs. If this commission has determined the price of hogs in Chicago, and you bring about your ratio price based upon pre-war purchasing power of the hog producer's dollar, and we will say the price of hogs should be a certain figure, we will say 10 cents a pound. Now, you have also made an estimate as to what the exportable surplus will be, and, as you have found, we must ship out a certain amount.

Mr. BRAND. Yes.

The CHAIRMAN. Now, you would have to compute for every station that shipped hogs, and you would have to determine where they should ship the hogs in order to get the freight before you could fix the price, would you not?

Mr. BRAND. I don't see that that would be necessary, Mr. Chairman. I would say that it would be sufficient. Suppose this man brought in a small load of, say, six hogs, and they averaged 200 pounds apiece. He brings in 1,200 pounds of hogs. We will say the present price is 7 cents and the ratio price would be 10 cents, just to make it convenient round numbers. It would seem on the face of it, then, that scrip should be issued for an amount in any event not to exceed 3 cents, but as we are confident of the performance of the proposed ratio it is not necessary to cover that whole margin because the effect is inevitably going to be, by removing this exportable surplus, to raise the old value to something, we will say, between 9 and 10 cents; therefore the scrip does not need to amount to as much as 3 cents, which is the maximum that it could possibly amount to, namely, the difference between the 10-year average and the calculated ratio price.

Senator GOODING. In the case of hogs, say, would it have a tendency to change the method of shipment, or something of that kind?

Mr. BRAND. I don't see why it should.

Senator GOODING. In places now they are running around in little Ford trucks, picking them up, a small drove here and there, making a load and shipping them.

Mr. BRAND. In addition to his check book that Ford truck buyer will carry some stamps with him.

The CHAIRMAN. Now, go ahead with your illustration.

Mr. BRAND. We will say that it is found that there should be a change in the law, and it should be based on value. For each 10 cents of value, then, he will make up his account sales, and we will say he buys the hogs, for convenience, at 10 cents. He would pay $120 for the hogs. Now, he has to issue 1½ cents for every 10 cents of value, or he has to issue 15 per cent in scrip, therefore he will take his accounting, $120, multiply it by his 15 per cent, and he would give him in cash all except $18, and the $18 will be given to him in scrip.

The CHAIRMAN. Now, you would make it compulsory on every man in the United States who buys hogs to follow out that operation?

Mr. BRAND. Yes.

The CHAIRMAN. Now, nobody could go into the hog business unless he provided himself with the scrip to buy. Suppose I was running a butcher shop and I bought the hogs of the farmer. Would I come under the bill also?

Mr. BRAND. Yes.

The CHAIRMAN. Suppose I was a farmer and bought a brood sow from my neighbor. Would I come under that bill?

Mr. BRAND. It seems unnecessary in such a case. But a rule of uniformity must be preserved if you are going to get equitable results, so that transaction must also be included.

Senator GOODING. Is that necessary, do you think?

Mr. BRAND. I think that simplicity of operation will come out of making it absolutely uniformly operatable.

The CHAIRMAN. The bill provides a criminal penalty for anybody who does not give the scrip.

Mr. BRAND. No, only a civil penalty.

The CHAIRMAN. You have got to put in the necessary machinery to enforce that.

Mr. BRAND. I think it would be wise to put in a criminal provision.

The CHAIRMAN. You have to make this man who buys hogs and who does not pay part of it in scrip subject to penalties. You have to have some means of bringing him in if he does not come in.

Mr. BRAND. I think it would be a good thing if a reasonable criminal penalty were included. The present penalty is that the amount of the scrip shall be paid and that he may be penalized in a civil action in addition one and a half times the amount.

The CHAIRMAN. Let us trace it a little further.

You get in your half dozen hogs, and somebody else brings in hogs until the local dealer gets enough to make a carload. He sends that carload to Chicago or Omaha and sells it to Swift & Co. Now, Swift & Co., when they buy it, before they will pay the money for that car of hogs must be satisfied in some way that the scrip has once been paid for all those hogs, because Swift & Co. will be buying hogs direct from the farmers who ship by the carload themselves, and they will have to be supplied with scrip also, and there must be a method devised and followed by which the dealer, the little fellow who sends in a carload, will be able to satisfy the purchasers at the slaughterhouse that he has already paid scrip for all of the hogs that he is shipping. Is that covered in the bill?

Mr. BRAND. It is made universally applicable, but, of course, the farmer will not part with his hogs except in a very peculiar set of circumstances unless he receives his scrip, because he expects to get the rest of his money out of it.

The CHAIRMAN. I understand that, but here is a little man, John Doe, who ships in a carload of hogs that he has bought from somebody else, and he has paid the scrip on them, and here comes another man who has shipped in another carload of hogs on the same train and he has not paid any scrip. They are his hogs. He raised them. But they look just alike. There is nothing on the hogs to show whether scrip has been issued once on them or not. They both ship, let us say, to Swift & Co. at Chicago. There must be a method by which Swift & Co. will know when they pay for those hogs whether they must pay scrip or cash. In one case they ought to pay the cash for them, and in the other case they ought to be prevented

from paying that cash, because no scrip has been issued on those hogs. How would you do that?

Mr. BRAND. I would leave that to enforce itself, except that I would, for my part, recommend a penalty section to persons who shall buy hogs or deliver hogs on which the payment of the proper amount of scrip has not passed once.

Senator GOODING. That could be covered, so far as that is concerned, with shipping bills.

The CHAIRMAN. Then somebody else would have to come in, the man who issued the shipping bill.

Mr. BRAND. It would be all taken care of by some reasonable penalty.

Senator GOODING. I can see where they might be reasonably covered.

The CHAIRMAN. The tendency would be for the man to try to get all cash and not take scrip, of course. The seller would always rather take it all in money than to take part in scrip, because scrip means a little loss to him.

Mr. BRAND. Yes, but taking it all together the buyer would not accede to that.

The CHAIRMAN. The buyer, in the case I have given to you, would not know. There may be a carload of hogs come in there on which scrip had been issued, and another on which it has not been issued. The commission could not make a regulation by which they would be guilty of crime. We have to do that by law.

Mr. BRAND. Yes. I agree with you, Senator, that it would be better to cover that ground, and my suggestion for covering it would be by fixing a penalty in the usual manner for failure to carry out the law in that respect.

The CHAIRMAN. The country is so big and the shipments so great in number, and I am satisfied you would have a lot of hogs which the dealer himself has raised, and that is true lots of times, that a man who buys hogs from other people also raises hogs himself, and he would have a few head of hogs that he raised himself, and the rest of the carload would be made up of hogs that he bought from his neighbors. It seems to me to be an awfully difficult thing in the hog proposition to work out the details. The same thing would be true of the beef proposition.

Senator GOODING. I don't think that the thing is so serious as that, Senator. It is going to take a lot of detail, that is true.

Mr. BRAND. The retailer may only carry 6 bushels of wheat to the mill, and you have the same proposition there.

The CHAIRMAN. Yes; but here is the miller who is handling it from everybody.

Senator GOODING. I don't see the point, as far as the hog business is concerned, as to the losses that you are finally taking on your export end. How is that to be distributed?

Mr. BRAND. In exactly the same way.

Senator GOODING. Your losses then must come out of that portion of the export, whatever it may be, and can not come from anybody else.

Mr. BRAND. It must come out of these scrip stamps that have been issued.

Senator GOODING. And those scrip stamps must be issued in every little town where hogs are sold for local consumption, and all those things?

Mr. BRAND. It is no more trouble than to buy a postal card or a postage stamp to put on a letter.

The CHAIRMAN. The man who got the scrip would be entitled to get back, when the thing is all settled up, whatever that scrip is worth. If he did not get it at the bank he would get it from the Government itself.

Senator GOODING. You would be able to say to the packers and everybody who buys hogs that this is the market price for 30 days and you must pay that much; you can not pay anything less for it?

Mr. BRAND. The commission says this is the price and thereupon it proceeds to buy the export surplus quota each month at that price.

The CHAIRMAN. Just take that proposition. They must use some center as a basis, like they do on wheat?

Mr. BRAND. Yes.

The CHAIRMAN. Suppose they say it is necessary now to have hogs sell in Chicago at 10 cents a pound. Then they must compute what hogs would be worth at Beaver City, Nebr., which would be the difference between the price at Chicago and the freight, would it not?

Mr. BRAND. Yes.

The CHAIRMAN. If they sell at 10 cents at Chicago they would get that at Beaver City, Nebr., less the freight. You must figure that out in pounds, because you are going to buy by pounds. Suppose when it gets out there the price of hogs is 8 cents. Suppose I am a dealer and I say the price there is 8 cents that this commission is going to buy hogs at. Suppose I am a dealer and I say I will pay 10 cents for hogs.

Mr. BRAND. All right. Let him take them. That would be fine. We would like to have him do that.

The CHAIRMAN. If I pay 10 cents have I got to give scrip?

Mr. BRAND. Yes, sir; absolutely. The proper proportion of that 10 cents would be paid in scrip. We would like to have them pay the farmer 10 cents. There will be lots of situations in the country that will warrant some premium, and there is nothing to prevent their paying that.

Senator GOODING. And the farmer gets the benefit?

Mr. BRAND. The farmer gets the benefit.

The CHAIRMAN. The scrip in that case would be based not upon the 10 cents but on the 8 cents?

Mr. BRAND. No, sir; the scrip would be based on the price at which the property changed hands, above or below.

The CHAIRMAN. It could not be below.

Mr. BRAND. I can see a buyer going out and putting up a story that would result in their going below. It depends on the farmer's willingness to depart with it.

The CHAIRMAN. If we are willing to buy at this price, I don't see how that could be.

Mr. BRAND. That is the fundamental difference between this bill and the ordinary fixed price. It is not a guaranteed fixed price. It is a protection of price by buying it and taking it off the market.

The CHAIRMAN. If they don't have to pay the price that these people have set up, why would it not follow, then, that they never would pay the price? They would cut it down every time.

Mr. BRAND. The farmer would find that there are plenty of competitors.

The CHAIRMAN. It depends, then, on competition. Now, then, at this same place, Beaver City, Nebr., suppose I bring in a carload of hogs, and I ought to get 8 cents for them, and there is only one buyer there who will only pay me 7 cents.

Mr. BRAND. All right, we will get a bunch of farmers together and ship our own hogs.

The CHAIRMAN. All right, then we would have to do that.

Mr. BRAND. I don't think they would, Senator. I think, as a matter of fact, all of this knowledge would be general.

The CHAIRMAN. Yes; I think so.

Mr. BRAND. No buyer can get away with that kind of thing very long.

The CHAIRMAN. It would be perfectly natural, if the buyer could get it for less that he would like to do it. I am not finding fault with the buyer. He wants to make all he can out of it. Suppose when you got to Omaha, Swift & Co. and Armour & Co. and those packers, none of them would pay the price. There is no competition there. If about four or five buyers got together there would be no competition, and the farmer could not go in and buy up all the hogs, and if they have an oversupply now, more than they wanted to use, put on the market there, without charging any fraud to them now or anything of that sort, they ought to pay 10 cents, let us say, but there are so many hogs that day that they can not use them, and so they say they won't pay but 8 cents. Your price would not be more. There would not be any way to get more.

Mr. BRAND. I think, as a matter of fact, practically every one of these things depends on the barter between the individuals, and the individual owning will not part with his property unless he gets what it is worth.

The CHAIRMAN. But take this situation: This fellow ships a carload of hogs to Chicago and it is put on the market. The buyers there, consisting of the packers, are the only buyers who can handle them. If they are oversupplied on that particular day they do not want any more. I can conceive a condition where it would be detrimental to them to take any more. They would say, "We have got all the hogs we want now. We don't want any to-day, but if you will sell them for 2 cents a pound less we will take them; we will take the risk on that." He says, "I will buy them at so much. It is up to you." What is to prohibit that very thing happening?

Mr. BRAND. I am just putting myself in the place of the man who owns the livestock. I would not part with my livestock unless I was getting, including the cost of freight and some reasonable profit for the dealer, a price that I was warranted in receiving at the central market.

Senator GOODING. You have never shipped any livestock to any of those big markets, have you? Do you know how helpless you are when you get them in there?

The CHAIRMAN. Suppose you had a carload of hogs in Chicago, aside from the question of combination and all that, just eliminate that

and suppose there would be nothing in it but pure business reasons and Armour & Co. and Swift & Co., and all those other packers have a lot of hogs coming in, as they do lots of times, an awful lot of them on the way to meet the demand, and you had your carload there, and under this price the commission had fixed you ought to get 10 cents for your hogs, but every one of those hog buyers is oversupplied, and hogs are still coming in, and they say, "We will give you 8 cents." Would you not have to sell to them?

Mr. BRAND. Yes; you would.

Senator GOODING. And they would have to make arrangements, Senator, for the packers to take care of all that came along, and then they export it and they would share in what the loss was?

Mr. BRAND. Absolutely.

Senator GOODING. It would stabilize the market, so far as that is concerned.

The CHAIRMAN. In the case that I put they would not get the price that this commission has fixed, and there would be no way to compel anybody to pay that price.

Mr. BRAND. This bill does not guarantee them a fixed price. It aims to set up an agency that will come the nearest possible to doing that by taking the surplus off the market.

The CHAIRMAN. In what it seems to me, that is comparatively easy.

Senator GOODING. I can see how you can make arrangements for wheat, but as to the surplus of hogs, unless you can make arrangements with the packers, it would be very difficult.

Mr. BRAND. But the question was the proper method of dealing with the matter, namely, by contracts with the packing companies.

The CHAIRMAN. I think we would have to do that.

Mr. BRAND. And the powers conferred under the bill are broad enough, in my judgment, to make it possible to elect other means of attaining the same result.

Senator GOODING. Now, Doctor, where does the feeder come in in this case? Say I am a feeder. I buy a load of hogs and feed them two months.

Mr. BRAND. That is a more difficult class of transaction that arises not only in the case of hogs but in the case of cattle and sheep.

Senator GOODING. Who gets the scrip? That is my question.

Mr. BRAND. In my opinion there must scrip pass twice in that case.

Senator GOODING. It must pass twice?

Mr. BRAND. As I see it, it must pass twice; in the first case for the total value of the cattle. In the second place for the amount of the gain, and it does make a difficult transaction.

Senator GOODING. It would be pretty hard to follow, would it not? This question comes to my mind: The scrip is going to be issued on the fat cattle, on that enhanced value that the feeder puts on. Now, why should you have it on the feeder? Haven't you got to eliminate some things? I don't think on a breeding animal this thing is necessary, an animal that is purchased to help the swine industry, for instance. I don't think it is necessary for the bill to go hardly that far. Is it not wrong in that respect, that you are trying to do too much?

Mr. BRAND. Exceptions always make difficulties in legislation and create opportunities for evasion.

Senator GOODING. Why can not this bill just provide for sale for food products?

Mr. BRAND. In my opinion it has to apply to the whole industry, including breeding stock.

Senator GOODING. The breeding stock is included because you enhance the value of the whole stock?

Mr. BRAND. Yes.

Senator GOODING. I don't know how you are going to follow it into the individual animal.

Mr. BRAND. Follow it as perfectly as you can.

Senator GOODING. I think you can overdo it. I am trying to help, that is all. I am trying to get a bill that will be helpful. Somebody has got to explain this bill on the floor of the Senate. Senators want to know what they are voting for. They will likely be a little more particular since this Teapot Dome scandal.

Mr. BRAND. As I say, that class of transaction adds to the difficulty, but I don't think that it is an insuperable difficulty.

Senator GOODING. Is it necessary to go to that extent? That is what we are after. The individual animal, the thoroughbred is only of value because it improves the herd. For instance, you take the cattle industry of Idaho. We have the finest Herefords, I think, in the United States sold for beef cattle. Now, then, of course if the cattle industry had been all right that would not have been necessary. The point I am making is that you don't need to carry this that far.

Mr. BRAND. When you have a situation, though, of difficulty such as this, you only add to the difficulty of administration by making exceptions which will call for certificates of purpose, and all that sort of thing, when making an exception.

Senator GOODING. I would not make an exception. Simply say for slaughter.

Mr. BRAND. What are you going to do with the feeder? For instance, I am a feeder and go down to Sioux City or Omaha and buy a carload and do not sell them until May or June.

Senator GOODING. That is all right. Then you get certificates.

Mr. BRAND. Yes.

Senator GOODING. Now, I am saying that you have a guraanteed price, and you pay that guaranteed price for those feeders, and the farmer gets the benefit. Surely he is going to get the benefit.

Mr. BRAND. The feeder should contribute to the equalization fund his proper proportion.

Senator GOODING. He has done that in paying the increased price for the hog to commence with.

Mr. BRAND. But you have allowed 100 or 150 or 200 pounds additional.

Senator GOODING. Well, there is also an element of risk there, and he has already contributed in the first purchase and should not contribute the second time.

Mr. BRAND. He should only pay for the amount of the difference.

Senator GOODING. That just naturally came in the original purchase of the animal.

Mr. BRAND. No; the gain has not been put on. There will be a great variation in gain.

The CHAIRMAN. Let me ask you another question. Your idea is that in the hog business we will have to have scrip on the same basis as on wheat?

Mr. BRAND. On value.

The CHAIRMAN. On value. There are thousands of cases in which the farmers are selling out everything, including wheat, and cattle, and hogs, and he advertises that he will sell on time, as they usually do. Sometimes they sell on a year's time. Before he had the sale he would have to buy a lot of scrip. He could not get any money if he sold on time. It might be still further complicated by the local banker having a mortgage on the cattle and hogs, which is very commonly the case, and he would have to make arrangements with his banker having a mortgage in order that he may be able to protect himself—that he should take the paper, and should pass on it when it was given in order to secure himself. How would you regulate that sort of thing?

Mr. BRAND. If I were the banker I would require the buying of scrip and take no chances that there was any cloud on my title.

The CHAIRMAN. Let us eliminate the banker. That does not happen so very often. Let us say the farmer sold on time. If he did not have the money he would have to borrow money to buy the scrip?

Mr. BRAND. Exactly so. He would not be any worse off by reason of that part of it in buying the scrip than he would if he made his note to cover the whole purchase price.

The CHAIRMAN. But he gives his note for the purchase price to the man who has the sale.

Mr. BRAND. He might do that.

The CHAIRMAN. If he did not have the money, and if he did he would not have bought on time.

Mr. BRAND. I don't see that that is any different from the transactions you meet every day. It is a question of producing from some source some money.

The CHAIRMAN. It seems to me it does present additional difficulties.

Suppose I have a sale and you buy at that sale. I have not any money. In fact, that is what I am selling out for. You are also poor. You are another farmer in the vicinity. You haven't any money. If you did you would get the discount that I probably would offer to anyone who paid cash. But you have no money, and you buy a couple of cows at that sale and say they cost $75. Now, you give me a note for $75. Somebody has got to put up the scrip.

Mr. BRAND. Absolutely.

The CHAIRMAN. But you haven't any money, and neither have I.

Mr. BRAND. Then I might not buy quite as many cows or quite as many pigs as I would, or I have got to go and raise the money to buy my scrip.

The CHAIRMAN. The purchaser has got to supply himself with scrip?

Mr. BRAND. Absolutely.

The CHAIRMAN. Then, if that were true, would it not mean that the man who wanted to purchase and did not have money would be practically prevented from making any purchases at that sale, and would that not knock every one of them silly?

Senator GOODING. They don't need that provision in the law at all.

The CHAIRMAN. It is in the law.

Senator GOODING. It is; but they don't need it in the law at all, because the only way you are going to stabilize the price of any livestock or wheat is out of your exports, and you only need to take in the stock bought for slaughter, if this bill is to succeed and do what you believe it is going to do. Your cow at the sale is worth more money than the market price for beef cattle, and everybody who bids for her knows that.

Mr. BRAND. But the benefits should be equally passed on to everybody.

Senator GOODING. Well, the farmer gets them, as far as that is concerned. The export is the important part of the bill.

The CHAIRMAN. It makes no difference in this sale. Everybody knows about this sale. The fellows who are buying at those sales, if they were compelled to pay cash could not even bid, would not bid, and they would not have any sales. Their stock would not sell for half what it is worth, because it would be confined entirely to men who had the cash.

Senator GOODING. It is so small a part of the transactions in the whole livestock business, and it is so difficult to follow, that I think it is a mistake to have it in there.

Mr. BRAND. Then, I should evade the law by selling all my stuff at public sale, if you are going to eliminate the public sale.

Senator GOODING. That is for slaughter. You would not do that.

Mr. BRAND. Why not? I would just as soon do it that way if there is an advantage in it. If I can get all cash I will just sell my stuff at public sale, and I will make a practice of public sales.

If you are going to make any exceptions, you encounter difficulties immediately. I feel that to add 3 cents, we will say, to the price of pork is rendering an enormous service to the hog industry. Every man who is going to buy hogs has some credit standing. If he is going to buy anything he expects somewhere to pay the purchase price, and this modicum of the price represented by the scrip he must necessarily, if this is going to operate uniformly and equitably, provide himself with, as every other purchaser must.

The CHAIRMAN. I think you are probably right about that, Doctor Brand, but this would follow: Thousands of farmers who would ordinarily go to sales and buy for the purpose of improving their own stock would be prevented from doing so—just thousands of them. We find now that condition in the farming industry. It is absolutely impossible, if they do not have the money, to borrow it at the bank, even if they are as rich as Croesus, because the banks are loaned up to the hilt and are absolutely powerless to help him in the situation. That class of people could not buy because they would have to provide themselves with the scrip, and they could not get the scrip in any way except to pay for it and, I was going to say, before they went to the sale, but I suppose they could wait until after the sale.

Mr. BRAND. I think I have a very complete knowledge of farming conditions throughout the United States, due to constant visits to farms all over the country, and I might say that the number of farmers who could not raise the small amount required for the scrip is absolutely negligible.

The CHAIRMAN. I think you are wrong about that entirely. I know whole communities where there is not 1 farmer in 25 that could raise $5. He may be perfectly good but he could not borrow $5 to save his soul. The banks have not any money to loan.

Senator GOODING. Don't you think there are very few farmers that would make a business of selling their fat hogs at public auction? They could not go very far with that kind of stuff, could they?

Mr. BRAND. I would reach it by applylng the rule uniformly.

Senator GOODING. You would carry it down to the last old sow and litter of pigs and all those things. I am saying that we won't make it practical, in my opinion, if we do that. It would be too complex to try to administer.

Mr. BRAND. I would not say that I would carry the principle out to the very end, but certainly some sense would be exercised in the administration of the law.

Senator GOODING. But if you had it in the law I think you could make the law go too far. I am not in favor of that. I have some confidence in the farmers of this country, that they would not sell their fat stock at public auction.

Mr. BRAND. They do buy tax-exempt securities?

Senator GOODING. Oh, well, that is different. I don't think there would be much of it. It would be an evasion of the spirit of the law, and anyone who did it would not be very popular.

Mr. BRAND. I would make it universally applicable. I have talked the matter over with hundreds upon hundreds of farmers, and I know it would not be objectionable. I know from somewhere they would find such a small amount as is necessary to pay cash for the scrip.

Senator GOODING. That may be true in Iowa and some other States, but I think if you get up in North Dakota at the present time, or even some parts of my own State, you will find a lot of farmers have difficulty in getting any cash for the purpose of providing themselves with some of the things they need.

Mr. BRAND. I have talked with hundreds of farmers in the State of North Dakota, but not a one of them has raised this objection.

Senator GOODING. But they have not followed it as closely as we are following it with you.

Mr. BRAND. It appeals to them. They feel this is absolutely for them.

Senator GOODING. When were you in North Dakota?

Mr. BRAND. In October.

Senator GOODING. That was before the Norbeck bill was considered here.

Mr. BRAND. It was just after it was suggested.

Senator GOODING. The farmer is in such condition that he is apt to grasp at anything he thinks might relieve his situation.

Mr. BRAND. I telephoned to a friend at Litchville, N. Dak., on a Saturday at noon, at 1 o'clock, that I was going down to his town on Sunday, and if it could be arranged I would like to speak to some of the farmers in that village. He walked up one side the street and down the other and told the people I was going to be in town. The next afternoon, at 2 o'clock at the town hall, about 108 farmers and their wives were there, on Sunday afternoon, to discuss this matter. If that does not show interest, I don't know what would.

Senator GOODING. Oh, there is no question about that. They are interested. I agree with you in that. I am only trying to get something that will be workable. I don't want to get something here that will be impossible.

The CHAIRMAN. Did you take up with them the question that we are considering here, the public-sale proposition?

Mr. BRAND. No; but we discussed the amount of necessary cash and things of that sort. I don't believe any mention of public sales was made in that discussion.

Senator GOODING. Or the feeder?

Mr. BRAND. We were discussing wheat and we were discussing the question as to whether they could in all cases meet their needs.

The CHAIRMAN. In the case of wheat, now, Doctor, you are not presented with this same question.

Mr. BRAND. Yes; Senator. We discussed the case of seed wheat and it is absolutely on all fours with this, where I buy my seed wheat from my neighbor.

The CHAIRMAN. The seed-wheat proposition is infinitesimal, compared with the hog proposition. The buyer of wheat is equipped with money for the purpose of buying wheat, and he would not be in the business if he did not have it. But the farmer who buys a cow on a year's time at a public sale is moved by the idea that he wants to do diversified farming or that he wants to improve his stock.

Senator GOODING. What breed of cattle are you going to take in? Are you going to take in the dairy cow, and if so, on what value will you base it when it is applied to a milk cow?

Mr. BRAND. I am going to make the thing applicable just as completely as it can possibly be made, and since you are not guaranteeing a fixed price, but relying upon the power of purchasing at a level to produce a general result, you may be sure that you will always approximate that general result, except in the most extraordinary cases.

Another objection frequently made is that it will stimulate over production. Has that been discussed?

The CHAIRMAN. Yes; that has been discussed. I think we would like to hear you on that.

Senator GOODING. I think we had better work out this other, first.

The CHAIRMAN. I don't know. I think we will have to pass on that.

Mr. BRAND. You feel there should be an exception and you are the doctors and I am not.

Senator GOODING. I want to discuss that and see if it is not possible to work out something practical. I can see that there is some exchange, yet they all go to slaughter some day or other. That is the idea. If you can work it out so that they all go to slaughter which they do in the swine industry, or most of them, at least, it seems to me that there is no necessity of including the sow that may be kept on the farm or the pig that is killed for home consumption. The farmer would not take any scrip if he wanted to kill something for himself, or kill something to peddle in town, or something of that kind.

Mr. BRAND. I would then go this far, to give powers in the law to make rules and regulations that would make it applicable to the processes of carrying on the business, let them make rules that would

be in consonance with a sound business policy, and let the corporation work it out.

Senator GOODING. I think you must come to that It is new legislation and you must not make it impossible. I can see where it would be impractical if you attempted to make it applicable to what is killed by the farmer for home consumption, or what may be taken into town and peddled by the farmer. I don't think you can go quite that far. There is not much of that going on any way. Confine it to slaughter animals. I can see by doing business with the packers, even in the swine industry, it might work out all right. I can not understand what you are going to do with the dairy cow, if you apply it to cattle, because in its application to dairy products and beef products of course there is a limit. I am only asking these questions to help. I like this bill and the more I discuss it the better I like it.

Mr. BRAND. And I don't want to seem obstinate about any point, because I have given a great deal of thought to this.

Senator GOODING. That is the only way we can get to it, for you to stand on your position, and if I think I am right for me to stand on mine until I get some light that will cause me to change my opinion, or you do. We can work it out.

Mr. BRAND. There are difficulties connected with this bill, of course, and you want to solve them.

The CHAIRMAN. I think we must concede that, as I look at the bill. I think there are some things that are quite important, and I think there is going to be an awful lot of detail that will have to be worked out to make the bill workable.

Well, Doctor, suppose you discuss now the question of the tendency of the bill to increase production.

Mr. BRAND. That is one thing that is in a sense somewhat disturbing, because any price improvement is certain to tend in the direction of increased production. On the other hand, it seems to me that the persons who are arguing that point of view are getting more out of it than there is in it, for this reason: Under the whip and lash of the war, with a guaranteed price of $2 average price on the farm, about $2.06, the highest production we attained was under a billion bushels.

Senator GOODING. We had 1,025,000,000 in 1915.

Mr. BRAND. And at that time there was no guaranteed price, and that was not due to the stimulation of price.

The CHAIRMAN. What year?

Mr. BRAND. 1915, Mr. Chairman. That year we had a crop of 1,025,801,000 bushels of wheat of all kinds, and, as I say, that was not produced because of any price stimulation, for this reason—and I say it for a good reason, in my judgment—we had that year only slightly over 60,000,000 acres of wheat planted. In other words, we had 2,000,000 more than we had this year, but we had the highest yield that the United States has had in its history on the average, namely, 17 bushels to the acre. The very next year we had a yield of only 12.2 bushels, and had a crop of only 636,000,000 bushels. In other words, with all of the stimulation of the high price and things of that sort of war time, we increased our plantings in 1919 to 75,505,000 acres, the highest acreage that was ever planted in the United States——

Senator GOODING. We had an increase in two years.

Mr. BRAND. I have those figures if you want them, but that year we had a price of $2.14 at the farm on December 1, but we only got something like 946,000,000 bushels. Now, then, we have reduced since 1919 by 17,500,000. It has taken practically five years to do it. It has never been possible to increase acreage except at a reasonable rate.

Senator GOODING. There is not any new land.

Mr. BRAND. There is the point, Senator Gooding. Therefore I say that the fear of an enormous stimulation and overproduction so that the benefits of the legislation would be completely dissipated are not sound.

Senator GOODING. We will not reach the peak of production in this country until we have better farming, more intense cultivation, and more fertilization and all those things. In my own State American Falls at one time was the greatest shipping point of wheat in the United States. There was shipped out of there 19,000,000 bushels a year. They are now producing, I think, something like 200,000 bushels. A lot of the farms have been abandoned. There was a man in my office the other day, a representative of the State, who said he went out to American Falls and bought land worth something like $300,000, and in two years sometimes they would pay it all off. He said on those same farms there is not a single family living to-day, and the homes are abandoned, yet the time was when they paid a fair amount for the land in those years and paid it off in just a few years.

That is true of other parts of the western country. In this country where a certain amount of moisture comes in two or three successive years they succeed and grow great crops, and then there comes a dry spell. They have tried it out as an experiment, and they will never get back again. They have reached the peak, in my judgment. Montana is suffering in the same way. Good range land that ought never to have been plowed up has been put into crops in the belief that with this intensive cultivation they had heard about they could succeed and buy a good home somewhere—have a piece of land; and they induced people to go out there and take chances that they ought not to have been permitted to take. This Government has never exercised any intelligent direction of the public domain, because it is known and must be known that the soil must be right and there must be a certain amount of moisture before you can produce wheat, and those things we know do not exist there only once in four or five years. That does not make wheat planting profitable. It means only poverty and a backward trend to our citizenship and to the country. There are cases where people have gone out on those homesteads, and after working hard to make a home they have broke down and been sent to the insane asylum. I was coming back to Washington a year ago, and a young girl who grew up in this town, who went out to Nebraska to teach school married there, and the married couple went out in that country and located out on the desert, and a brother had gone out for the young girl and was bringing her back, a mental wreck, to Washington. They had left her children out there. They never ought to have been permitted to settle out there. This Government ought to have been in shape to furnish that information to the man who wanted to make a home. It ought to have given him the right direction, which it never did. During that time, during

that big yield, in all that country, Montana and Minnesota and other western States, these projects were in full blast, and they were inducing people to come out to that country. I am not afraid that we have not reached the peak of production of wheat, as far as that is concerned, and I have no fear but it can be handled all right.

Mr. BRAND. Then there are other conditions which every man will take into account in that matter of overplanting. For instance, we have reduced our winter wheat acreage this year somewhere between 12 and 13 per cent, very wisely, and it will be a help in carrying out the provisions of any legislation that may pass, whereas Algeria, a considerable wheat growing country, has increased its plantings 20 per cent, Rumania has increased her plantings 19 per cent, India has increased her plantings somewhat, Canada has this year produced a crop of 470,000,000 bushels, 325,000,000 of which is available for export. Argentine has probably 60,000,000 to 70,000,000 bushels available for export. Australia has quite a considerable amount available for export.

In the case of Argentina there has been a decided increase, because the last figures which are now available have increased the amount for this year some 70,000,000 bushels. Whereas I believe they had estimated 189,000,000, now that the crop is practically harvested, they say it is going to be 269,000,000 bushels.

The CHAIRMAN. Russia's c op has now been harvested. What is the condition of the harvest there?

Mr. BRAND. They have just about finished harvesting, but we don't know much about Russia.

Senator GOODING. We have passed Russia's production, as I understand it.

Mr. BRAND. Not quite. We have almost done it. We have now increased to a point where we can absolutely ignore Russia and still have an excess of about 300,000,000 bushels over what was available at that time.

Senator GOODING. Mr. Brand, on that point I would like to ask you, taking the history of the world, as far as wheat is concerned, one year with another over a series of years, has there been an overproduction?

Mr. BRAND. Prior to the war, Mr. Chairman, there was a gradual increase, so that the wheat statisticians of the world considered it was a normal performance to increase the world production of wheat about 65,000,000 bushels a year.

The CHAIRMAN. What I am trying to get at is the fact that one year with another the world has consumed all the wheat that the world has produced?

Mr. BRAND. Yes; substantially.

The CHAIRMAN. So that if we had an overproduction this year we are safe in saying if we could store it the time will come when that overproduction will be taken up by the consumption?

Mr. BRAND. That has been the experience of the past.

The CHAIRMAN. If that were true, and we had provided storage facilities, and just simply stored away the overproduction, if there was an overproduction in the world, not sell it at all, but just keep it, we could sell it when there was an underproduction?

Mr. BRAND. No; because in that event we could only receive the world price for it.

The CHAIRMAN. I understand that, but if we produce a surplus in this country, more than we can consume and want to sell it on the world market, we find from history one year with another that surplus is always taken by the world somewhere. Now, somebody eats it. It has always happened that somebody has stored it, it has not been destroyed, until it has been eventually consumed by the people of the world. Our surplus is smaller than the surplus of some other countries. Could we not store it if we had the facilities to store it and the money to carry it?

Mr. BRAND. We could, but we would still be confronted with this same trouble that we would get only the world price.

The CHAIRMAN. Oh, I understand that.

Mr. BRAND. And we have this further variation from the pre-war normal conditions. Canada has now become populated to such an extent that she will gradually more and more absorb the export markets of the world. This year already she is in position to furnish in excess of three-fifths of the total import requirements of Europe. At the present time only 35,000,000 acres of Canadian available wheat lands are in cultivation. There is a maximum available of 400,000,000, and we can not hope by simple reliance upon the tariff and natural economic conditions affecting us and all the rest of the world to take care of our wheat situation.

The CHAIRMAN. Will that not more or less take care of itself? If they overproduce one year, won't the acreage naturally go down the next year, if the price goes down?

Mr. BRAND. Yes.

Senator GOODING. Here is the trouble. They can produce so much cheaper than we can, and here is the trouble again, Senator. Take South America and Australia, for instance. They have not been touched in production.

The CHAIRMAN. I understand all that.

Senator GOODING. And there is the danger that faces America, with her high cost of production.

The CHAIRMAN. We are getting back again to the proposition that one year with another the world needs all it produces.

Senator GOODING. I know, but we are a different world.

Mr. BRAND. We have an excess of half a million bushels this year.

The CHAIRMAN. Yes; this year. I understand that. That is true. But if it is true that the world is always going to have an overproduction we will come, in a few years, to the time when there will be so much of a stock of wheat on hand that it will not be worth anything. Will that not be true?

Mr. BRAND. That will regulate itself down to the point where even the low standard of living countries and the low cost of production and the high yielding countries will find it unprofitable.

Senator GOODING. That is the reason why you are ruined now, and you are trying to meet the situation.

The CHAIRMAN. I am not disputing that. I understand that. But either the world is going to eat all the wheat it produces in a series of years or there is always going to be a world overproduction; and if there is going to always be an overproduction the world will eventually reach a place where they will have such a large quantity of wheat on hand that it will become practically worthless.

Mr. BRAND. That is the point, and for that reason I say further we can not hope for this situation to cure itself without some expert treatment, because we are faced with a situation of producing a billion surplus next year.

The CHAIRMAN. Yes, I understand that. If we have a billion surplus next year and the next year and every other year, and under this bill you are going to sell it in export trade, you won't be able to get the freight on it.

Senator GOODING. That is where the danger lies ahead of us. I am satisfied of that. There was a meeting held out in Chicago where they tried to figure out a way of holding the wheat up to $1.50 a bushel, for the purpose, of course, of helping relieve the condition, and possibly to satisfy the farmer. They have not been able to do it. They have held it up for a time beyond the world price, but they can not hope to do that much longer.

The CHAIRMAN. You gentlemen seem to be arguing a proposition that I am admitting. Is not this true, that, take from the time wheat was first grown, from the time of Job, up until now, the world has eaten all it has produced? It has never been destroyed or thrown away up to the present time. Up to the present time, take it from the history of the world, there has not been any surplus of wheat. Now, Doctor, is not that true? It seems to me you can't get away from that proposition, because we haven't got any wheat left.

Mr. BRAND. By reason of a century's progress throughout the world, during which we increased from roughly 600,000,000 people in the world to roughly 1,800,000,000 people in the world, the condition you have described has been true. Since then, however, some 30,000,000 Russians are dead, and I don't know how many millions of the rest of Europe, and the whole position has been reversed. Hence the bill provides for an emergency period of 10 years, which is, goodness knows, a very short period of time within which to obtain anything like a restoration to normalcy. I think the bill recognizes some of the very problems you have indicated. Furthermore, if the production goes over consumption, which is readily conceded, the bill provides in section 402 for the correction of this very thing in this country.

Senator GOODING. I can remember in my time when they went into the Wheat Belt with a scythe or a sickel and took the wheat in their hands and cut it off in that way. I can remember when there were not many railroads in the country. Now, we have the railroads. We have the world on wheels. Everything is on wheels. It is a different world entirely. We have the combined harvester and thresher that goes out and harvests and threshes 80 acres a day, where it would have taken a thousand men 75 years ago in the old country to have done that job. So it is a different thing. The world is not scratched according to its production. We think we can not overproduce, but that is the trouble with us. We have an overproduction of practically everything in America with a cost of production that makes it impossible for us to meet foreign competition, without a tariff, and of course the wheat tariff can not help and does not help us on our exports. There is not any use to talk about that. But we have got to take the world as it is, with its progress and the advancement of civilization. Canada could grow enough wheat for the world. When Russia comes back with her

exports of millions of bushels a year, the situation is going to be worse. She is likely to come back, because labor is not worth anything over there—20 cents a day or less—and they have got our machinery, very largely, or did have at one time, improved American machinery. The trouble is that there is an overproduction and other people can produce cheaper than we can.

The CHAIRMAN. In the next hundred years, if that condition continues, there will be 20,000,000,000 bushels of wheat stored up.

Mr. BRAND. No. Even the low-cost countries will cease to produce under those circumstances.

The CHAIRMAN. That is what I believe all the time. If economic conditions are such that an overproduction of wheat goes on every year, one year after another, it will automatically stop itself. There can not be any doubt about that. We won't produce wheat and dump it into the ocean or burn it up, and if that happens to wheat the world will not produce any more wheat than the world will eat one year with another.

Mr. BRAND. Then we will have a situation where we will plant for an 800,000,000 bushel crop and we will have unfavorable conditions and we will get a 500,000,000 bushel crop.

The CHAIRMAN. Yes. That is what I say. In a series of years the world has not produced as much wheat as it wanted to eat.

Mr. BRAND. I think the theory of this measure is that as a matter of public policy the United States ought always to produce a reasonable surplus.

The CHAIRMAN. I think any country should do that. We always want a surplus against any possible accident.

Mr. BRAND. I used an illustration in speaking before the National Wool Growers Association in Salt Lake City a few days ago, that was of interest to them and I may just illustrate what a deficiency in any crop does.

In 1910 we had about 52,500,000 sheep in the United States, according to the figures. In 1920 we had about 35,000,000. I don't know that those figures are absolutely accurate, but it was 17,500,000 greater in 1910 than it was in 1920, and still the less number, somewhere between 35 and 36 million head, were worth $165,000,000 more than the greater number. That is what we are confronted with in all of those things, and this bill aims, by the device of a business agency, to accomplish that decrease which will give a fair price.

Senator GOODING. This bill undertakes to do what organized labor has done for itself?

Mr. BRAND. As other people do for themselves gradually over a series of years.

(Whereupon the committee adjourned to 10 o'clock a. m., Tuesday, February 12, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

TUESDAY, FEBRUARY 12, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m. in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Capper, Gooding, Ransdell, Ralston, Norbeck, and Johnson.

The CHAIRMAN. The committee will come to order, if you please, gentlemen.

STATEMENT OF MR. A. SYKES, IDA GROVE, IOWA.

The CHAIRMAN. Mr. Sykes, what is your connection?

Mr. SYKES. I am president of the Corn Belt Meat Producers' Association, the livestock organization of the State, and I am vice president of the National Livestock Producers' Association, which is a national organization. I might add in that connection that I have been farming and feeding livestock practically all my life and am still in the game. We feed 400 head of hogs a year and about 150 to 200 head of cattle on the farm a year.

The CHAIRMAN. How large is your farm?

Mr. SYKES. Three hundred and eighty acres.

The CHAIRMAN. What part of the State is it in?

Mr. SYKES. The northwest part, about 60 miles from Sioux City. My oldest son is in charge of the farm operations at the present time. Of course we are in partnership.

The CHAIRMAN. Very well, Mr. Sykes; we will be glad to hear what you have to say to us.

Mr. SYKES. Gentlemen of the committee, I really feel it is an imposition to take your time to listen to a man coming here, and yet at the same time I was rather afraid that the impression might go out that conditions in the Corn Belt were largely satisfactory on account of the recent conference that was called here by the President which applied only to the Northwest, and there was not a representative of the Corn Belt section of this country invited into this conference. I happened to be here on other business, but was not invited here by the President into this conference; I attended the conference at the invitation of the Secretary of Agriculture, and for that reason I thought that the Corn Belt section of this country owed it to this committee to be represented here on this measure and to give some

testimony at least in regard to conditions as they actually exist and prevail in the Corn Belt section of the country.

I was afraid that the impression, as I have already stated, might go out and it might be felt here, even by this Congress, that the great corn and hog producing section of this country was in pretty good shape and that they did not need any relief or help from the Federal Government. If any such impression as that exists, I would like to dispel it at once, because it is far from the actual fact. I think it is generally admitted that Iowa is an agricultural State and has possibly in the past, been as prosperous perhaps as any of our great agricultural producing States, and I can say, without any qualification, that our farmers are in sore distress and have been so since the deflation period set in, and my conclusions are reached after associating with our people as I have to do in my work in the State, and my belief is that the condition is growing worse, I am sorry to say.

Senator McNARY. Are you speaking from the standpoint of the corn growers or the livestock men, the wheat men, or just what? I want to get your qualification.

Mr. SYKES. Of course, Senator, you understand we are not a wheat-growing State; Iowa is not a wheat-growing State. We produce very little wheat.

The CHAIRMAN. When you speak of these conditions, I understand it you mean——

Mr. SYKES (interposing). I am taking in all classes of our farmers, but of wheat farmers, or diversified farmers, carrying wheat as a sort of a side line. That is the situation in our State.

Senator McNARY. I understand you.

Mr. SYKES. Our farmers pay their debts by or through the sale of livestock; that is the way we pay our debts in the Corn Belt. The sale of butter and eggs and of the products of diversified farming goes largely to the maintenance of his family, or to keep up the running expenses, as we call it, of the home. That is where that fund goes to, and if a man has an obligation at the bank or has to pay the interest on his loan or his taxes, why he figures he will meet that obligation when he sells "these hogs" or "this bunch of cattle," and that is the way, invariably, the farmer in the Corn Belt will plan his arrangements.

As a result of the low prices that have prevailed in the livestock market for a period now of about 18 months, of course the farmers are not liquidating any. There is the trouble. If they can get enough together out of their livestock to pay the loan on their farm and their taxes and some other little things that they feel they must pay, of course that is as far as they get. This, naturally, is creating a bad situation, as you men know, among the bankers of our State. Now, the banks in the Northwest are not the only ones that are closing. I am free to tell you that.

Senator McNARY. Would that scheme brought about by Mr. Meyer of the War Finance Board, and Mr. Hoover, would that be helpful to the banks in that country?

Mr. SYKES. Of course, it might if it were extended that far, but it is not my understanding that this corporation is to operate in the Corn Belt, but that it will be confined to the Northwest. A similar scheme to that would eventually lend some temporary relief to the fellow in my section.

Senator McNARY. What relief have you had heretofore by the War Finance Board? Mr. Meyer has reported that he has sent the farmers and banks in Iowa, through their bankers, some aid. Are they giving you the aid you really need?

Mr. SYKES. We do not feel that they are, I am sorry to say. We do not feel that they are giving the aid they could give under the act. Now, I do not want to inject the banking end of the question into this hearing, for I am not posing here as a banker but as a farmer. It is on the farm that I get my living, if I get it at all, although I am president of one of our banks and have the largest interest in it of any one. The bank is practically owned by the farmers of the community; all except 50 shares is owned by the farmers in the community. I therefore have some opportunity to know just what is going on in the banking world as well as among the farmers. Now, take it in our own case, we secured one loan from the War Finance Corporation back in 1921. It was so difficult for us to secure that loan, I am speaking of our bank, that we never attempted to even extend it or renew it; we paid it off, part before it was due, and we never made any attempt to even renew the loan or extend it in any way. There was so much red tape attached to it, and the papers came back two or three times for correction, and we were so delayed in getting the funds, some two or three weeks before we were credited with the money after we made the application, that we felt we could not do business that way, and we turned to our correspondent banks and have done business with them on a much more satisfactory basis than we could with the War Finance Corporation.

I know a number of towns in our State where all the banks have been closed during the past year. I know of two or three instances where three banks in county seat towns have been closed. It is not an unusual thing at all, even in Iowa, for almost any town to have one of its banks closed, and I want to say that this condition is not because of bad banking. These loans were taken when the men were absolutely good. They were gilt-edge, but their assets have melted away, and they have been losing money year after year in the operation of their business until they have gotten where they simply can not pay their debts, and they are turning over what little property they have, for in many instances the banks went out, particularly in 1921, and said, "We must increase the collateral; what have you to give us?," and, realizing that their assets were depreciating and that the department was pressing them to increase collateral, the farmers gave to the banks chattel mortgages and second mortgages on farms, and in some instances three mortgages, to satisfy the banks and to make the banks more secure. Now, these people have gone along and lost money every year—the farmers it is that I am speaking of—and they have continued to do that until now they are coming to the point where they have either to tell the banks, "You go ahead and close this thing up," so as to stop a sheriff's sale, or they go in and turn the whole thing over to the bank and say, "You take it; I can not dig out under these conditions, and it is no use trying." So some are voluntarily turning over the property to the banks. That is loading up the banks with property and collateral they can not use, for they can not cash it or turn it into cash or anything that the bank can use, so there is nothing left for the bank to do but close its doors; its reserve has run down and there is nothing in the world left for the bank to do.

I know in many instances where the boards of directors have absolutely thrown in their own fortunes to try to save the banks, practically given up everything they had to try to save the banks and retain their honor and the whole thing has gone.

Well, gentlemen, that is a critical situation, and that has been brought about almost entirely on account of the low prices, more especially of hogs that has prevailed for almost two years back. The State of Iowa last year lost, I am speaking of 1923, as nearly as we can figure, that is I figure on the ratio basis of the all-commodity ratio basis, we lost $150,000,000 on the hog crop alone last year.

Senator JOHNSON. Still some farmers in Iowa have been writing newspaper articles saying they can get along on 6 cents a pound for hogs. I have seen that in several newspapers.

Mr. SYKES. The farmer, Mr. Senator, that will make any such statement as that does not know what he is talking about; that is, if he ever made that statement. I question sometimes if they ever did make it.

Senator JOHNSON. May I inquire from you this? You said the bankers were not to blame. What do you think is the cause for the banks going bankrupt? Is it not because that during a time of inflation the bankers loaned too much money and speculated a little themselves in land and extended loans too freely? What do you think of it? Don't you think that they got in too deep that way?

Mr. SYKES. That is partially the cause; certainly that is partially the cause, Mr. Senator. But the bankers—I am not defending the banker that has speculated; I would not defend a banker that speculated during the period of inflation by any means; of course we all know we have them all over the country, and nobody should defend them—but I want to say that I think those bankers are largely in the minority, that they really cut but very little figure in our own State. The most of our bankers operated the banks on what was considered at the time good, sane, sound banking business system, but, of course, as the Senator has expressed it, we were inflated, of course; none of us realized the extent to which we were inflated. That was the trouble. Everybody had money, but even the conservative bankers extended their credit to a greater extent than it should have been extended, not realizing, of course, never having gone through a period of this kind, just what might happen and what did happen came very suddenly on them. That is the situation. Of course these banks tried to protect themselves as I have said, and they tried to get additional collateral from these farmers, and the farmer wanted to make good, and they were willing to turn over their property as security, turn it over to the banks, but their property did not amount to anything from the bank's standpoint, and there you are. Just who is to blame?

Senator MCNARY. What is the average price of live hogs per pound; what has it been during the past two years in Iowa?

Mr. SYKES. Back on the farm?

Senator MCNARY. Yes.

Mr. SYKES. I should say about 6 cents, approximately.

Senator MCNARY. What do you figure it would cost per pound to raise hogs under conditions that obtained at this time and have obtained during the last year and a half?

Mr. SYKES. I should say just offhand that the actual cost would be from 8 to 8½ cents, at least, that is the actual cost of production; that would leave no profit whatever, and, on the other hand of course when you come to figure you are producing your corn at a loss, if you were receiving a remunerative price for corn you could not produce at 8½ cents, but I am figuring on the prevailing price of corn.

The CHAIRMAN. Is this condition you describe general all over the State of Iowa?

Mr. SYKES. Yes, sir.

The CHAIRMAN. You go over the whole State?

Mr. SYKES. Yes, sir; in the dairy district it is not quite so severe, however. The dairy people in the northeastern corner of the State, where they confine their operations largely to dairying, of course, are not in as depressed a condition as they are in the section where we feed hogs and cattle, because of the fact that dairy products have brought better prices, more on the ratio basis, as compared with other commodities. I was going to refer to the 13 to 1 price of hogs that prevailed during the war. I happened to be a member of Mr. Hoover's livestock commission, or his cabinet, as they called it, and happened to be one of the men who helped work out the 13 to 1 ratio. Now, on that basis, and it was granted at that time that it was a fair basis, as fair as could be properly worked out——

The CHAIRMAN. By 13 to 1 you mean 13 bushels of corn to 100 pounds of hogs?

Mr. SYKES. Yes, sir; the price of 100 pounds of live hog should be equal to the price of 13 bushels of corn. Now, on that basis, if the hogs had been selling during the past two years on that basis, they would have been bringing approximately $10.40 a hundred. That would have been the approximate price on our hogs for the past two years, and, on the all commodity ratio——

Senator MCNARY (interposing). Then, the hog has brought less in comparison with the corn?

Mr. SYKES. Yes, sir; on the all commodity ratio basis they would have brought between $11 and $11.25. The hogs have sold lower for the past year then they did before; that is, the average price of hogs was lower the past year, 1923, than for the 10-year period of the pre-war period of 1904–1914.

Senator MCNARY. What reason do you assign for the depreciation in the price of hogs?

Mr. SYKES. I think the depreciation is general, Mr. Senator.

Senator MCNARY. I want to know if there has been a recent overproduction?

Mr. SYKES. There has been an increased production, yes, sir; there is an increased production of hogs in the country.

Senator MCNARY. Has the export quantity kept up with pre-war times?

Mr. SYKES. According to reports, it has kept up very well with the pre-war export requirements.

Senator MCNARY. Is it not true that since the war we have never turned to the meat-eating basis we had before the war?

Mr. SYKES. Yes, sir; that is true. That is a point I want to emphasize right here, and for that reason I think that the Government—and when I say the Government I recognize who makes up the

Government; it is the people in our country that make up the Government—I say that this Government owes an obligation to the producers of this country to help them out of this dilemma, because the Government, for patriotic reasons, was largely responsible for putting us where we are. I know that, because, as I said, I was here during the war and know what I am talking about, and I was one of the men that went out in our State and advised our people everywhere to produce all they could and eat as little as they could.

The CHAIRMAN. You advised the producer to increase production and the consumer to decrease consumption?

Mr. SYKES. Yes; there were meatless days, wheatless days, and they gave us bread that we could hardly stand at all—it was against our better nature altogether—and the farmers, even against their better judgment, plowed up their pastures and meadows and sowed wheat; and we know that up there in our part of the State that of all things in the world we can not raise it is wheat; but for patriotic purposes we did plow up our meadows and we did plow up our pastures and we sowed wheat and we cut our wheat—we did it on my own farm—and bound it up and used it for bedding for the hogs, because there came on, just as there usually does, some heavy rains before the wheat began to fill, and the hot sun had just cooked it and we could do nothing but just cut the wheat, bind it up and stack it, or store it away, and use it for bedding for the hogs. These are things that actually went on in the country, and every pressure was brought to bear on the people to prevent them from eating wheat and eating meat, and substitutes were introduced, and the consumers have never gotten away from the substitutes. They were educated away from the eating of the more substantial foods and they never got back to them. They think they can live just as well and more cheaply on these substitutes and for that reason they are doing so.

Senator MCNARY. Now, what is the substitute for pork, particularly?

Mr. SYKES. Vegetables, largely; fruit, also. I dare say along these lines people are living to a large extent on that class of foods to a much larger extent, I am sure, than they did before the war.

The CHAIRMAN. Mr. Sykes, you would think that that would result in the prosperity of the fruit man, but that is not true. The fruit man suffers as bad as anyone else. One of the principal reasons why he suffers is on account of the high freight rate and the distance he is from the consuming market.

Mr. SYKES. His freight is high enough.

The CHAIRMAN. It is too high for the consumer. We have had evidence—I know positively that it is true—that our fruit farmers in California, for instance, out in the Santa Clara Valley—I was out there and went through the valley and talked with any number of them—their farmers are as bad off as your Iowa farmers; they are all running behind; none of them are able to pay the interest, and truly they consider themselves very fortunate if they could pay the interest even. There must be something besides the change of diet on the part of the people involved in the question.

Mr. SYKES. I suppose there is, Senator; of course, there are other causes, no doubt.

The CHAIRMAN. I think it is true that the consuming public do eat more fruit than they used to.

Mr. SYKES. Coming back to the loss to the hog producer again, I give you figures for Iowa alone. Assuming that we marketed in 1920 70,000,000 hogs, which I think does not quite represent the total number we did market, I think it would possibly run higher than that, for we marketed 53,000,000 Federal inspected hogs, and how many uninspected hogs are marketed is difficult to realize or to obtain exact numbers on; but it is estimated by the department that about two-thirds of the hog crop is Federally inspected, and that being the case, we would have marketed 75,000,000 to 80,000,000 hogs in 1923, but to be safe I assume it to be 70,000,000, and on the 13 to 1 ratio for that year we would have lost $550,000,000 in our hog crop alone and on the all-commodity ratio basis we would have lost about $750,000,000.

The CHAIRMAN. What do you mean by the all-commodity basis?

Mr. SYKES. The basis figured in the McNary bill. The 13 to 1 ratio is a lower ratio than the all-commodity ratio. We were marketing hogs prior to the war on approximately that basis, as you understand, and when you figure that out of the net proceeds of the American farmer there is a deficit just on his hog crop alone of anywhere from $550,000,000 to $800,000,000 you can see why he is hard up. That does not take into account any other product selling away below their proper ratio basis.

I want to give you the ratio basis here for hogs, beginning with 1921 and running up to 1923.

The all-commodity basis, ratio basis, or all-commodity ratio basis, the price of hogs for 1921 would have been $11.75; the actual price that they brought—I am speaking of averages, of course—was $7.72, making a net loss there representing a net loss of $4.03 per hundred.

For 1922 the all commodity ratio would have meant a price of $12.75 and the actual average price obtained was $8.80, representing a deficit of $3.95.

For 1923 the all commodity ratio price would have meant $12.66 and the actual average price received was $7.42, representing a deficit of $5.24.

Figuring of course on that basis our losses for 1923 would have been much greater than the figures previously quoted.

The CHAIRMAN. What were the figures you gave on the 13 to 1 basis?

Mr. SYKES. $525,000,000 to $550,000,000.

The CHAIRMAN. And what are the figures on the all commodity basis?

Mr. SYKES. $800,000,000 or better in 1923. It would have figured around $800,000,000 or nearly a billion dollars. These figures are taken from the report of the Secretary of Agriculture.

Now, there is another side to this question, and that is the question of course of a cheap dollar and a high-priced article that the farmer has to buy. We use wagons of course on the farm and I happened to buy a farm wagon in the fall of 1914, and I happened to buy another one last fall. I bought wagons in between also, but it just happened to work out that way so that I have the comparative prices reduced to the number of pounds of pork. The wagon in 1914 cost 1,200 pounds of live pork or, in other words, it took the price of 1,200 pounds of live pork to buy a farm wagon. Last fall it took 2,500 pounds of live pork to buy a wagon that is considered a cheaper

make of wagon than the wagon I bought in 1914. The cheaper wagon took 2,500 pounds of live pork and the better wagon took only 1,200 pounds.

Senator McNARY. Have you the difference in money values? What would it have cost in dollars in 1914?

Mr. SYKES. The wagon in 1914 would have cost $85.

Senator McNARY. What did you pay for the inferior wagon in 1923?

Mr. SYKES. $150. I do not know just what the price of the other wagon would have been last fall because the wagon that I bought was not as good.

The CHAIRMAN. Your $150 wagon was not as good as the $85 wagon?

Mr. SYKES. Exactly. Possibly the difference in the price would have been about $15, that would be about the selling difference.

Senator McNARY. There was an interesting ratio between the money dollar and the hog dollar at the same time, about two to one, in both instances?

Mr. SYKES. Yes, that is the situation, Senator.

Senator GOODING. What is the idfference in the price of labor on the farm in Iowa now as compared with 1914? What is the general average for labor, for hired labor, as compared with 1914?

Mr. SYKES. Not having the record before me I should say offhand about 25 per cent higher, Mr. Senator, in 1923 than it was in 1914. I think about 25 per cent higher.

Senator GOODING. Is it not higher than that?

Mr. SYKES. It might be. I can not recall what it is. I am not sure what we were paying then.

Senator GOODING. You have labor down pretty well if you have it down to that point.

Mr. SYKES. I think possibly you are right; I think it would be higher than that; we were paying there in that section of the State last year abour $55 for a single man and of course we took care of him.

Senator GOODING. The testimony that has been put in shows that in the Northwest the wheat farmer pays $5 a day and board for harvest hands; I do not think that they paid $2.50 or $3 before the war.

Mr. SYKES. The day laborer's wages have advanced in percentages much more than the laborer that we pay for by the month on the farm.

Unless the members of the committee have special questions that you desire to ask me, I do not want to take up any more of your time.

The CHAIRMAN. Tell us, do you favor the McNary bill?

Mr. SYKES. Yes, sir; that is the bill we feel offers the most logical opportunity, or, in other words, the most workable opportunity for giving assistance and relief to the farmers. I do not like the idea of the farmers being put in the position of coming to the Government and asking for special favors exactly or for charity in other words, and for that reason it seems to us that this bill takes care of that feature of it. What we are doing in this bill is to ask the Government to furnish the initial capital to set this thing up, and whenever loss is incurred in the operation of it we are willing to take care of that.

Senator GOODING. You are just asking the Government to give you a chance to set yourselves up where the Government has set everybody else up?

Mr. SYKES. Yes, sir; you might put it that way.

Senator GOODING. There is no doubt but what the Government has done that in other cases.

Mr. SYKES. For that reason we feel that this bill is more adapted to the general situation and possibly would appeal to the average Congressman in a way that taking the money right out of the Treasury and handing it—in a sense, donating it to the farmer—would not appeal to him.

The CHAIRMAN. What about freight rates; have you given consideration to that?

Mr. SYKES. Absolutely. I think the freight rates are very much out of line; they are exceedingly high.

The CHAIRMAN. While your testimony has shown that the hog man was losing money on hogs and people were induced to eat less meat and wheat, and that those inducements have interfered with the consumption of farmers' products, and while the people have been induced to eat more fruit, it is also being developed that the fruit man is in bad shape?

Mr. SYKES. Yes, sir.

The CHAIRMAN. This bill would not help the fruit man?

Mr. SYKES. No, sir.

The CHAIRMAN. He ought to be helped.

Mr. SYKES. Yes, sir.

The CHAIRMAN. What would help him; have you given any thought to that?

Mr. SYKES. I have not. I do not know what we could do about them. The fruit people, of course, are organizing cooperative marketing organizations, and that is evidently doing them some good; whether these organizations are sufficient to meet the needs of the fruit man I do not know.

The CHAIRMAN. The fruit man as a rule, not altogether, but taking it as a general rule, is affected more by the freight rate than the hog man of Iowa is affected by them?

Mr. SYKES. Yes, sir; I think so.

The CHAIRMAN. Because he has a much longer haul, he is much farther from the market?

Mr. SYKES. Yes, sir; his freight rates would be much higher in proportion.

The CHAIRMAN. So if your freight rates to the hog man in Iowa is a burden and is burdensome to the hog man in Iowa, it naturally would be burdensome to the fruit man, as a general rule?

Mr. SYKES. Yes, sir. While the freight rate is an item, and we must admit it is, the fact is that if the railroads carried our hogs to Chicago for nothing from Iowa it would only increase the price we would get 36 cents a hundred.

Senator JOHNSON. If the freight rates were reduced, say, 25 per cent, as they are applied to you, and you sell mostly livestock, how much would it help you? It would only help you a few dollars a year, would it not?

Mr. SYKES. I could soon figure it out. Possibly on the amount of business we do on our farms there, if they hauled, as I have stated, our livestock to market for nothing, it would mean possibly $1,000 to $1,200 a year to us, that would be all. It costs from $75 to $100 a car

for freight from Ida Grove to Chicago on a car of livestock, depending on the weight.

Senator McNARY. What is the distance?

Mr. SYKES. Four hundred and forty miles; we ship, we will say, anywhere from 10 to 15 cars.

Senator JOHNSON. You have a nearer market than that?

Mr. SYKES. Yes; but the price is better in Chicago.

Senator JOHNSON. When you mentioned the millions of hogs marketed every year, you mentioned something about inspected hogs. Do you mean hogs butchered and inspected?

Mr. SYKES. Yes.

Senator JOHNSON. You do not mean the stock pigs that go in and out?

Mr. SYKES. No, sir; nor the hogs slaughtered at points where Federal inspection is not maintained, the small butcher shops.

Senator JOHNSON. But then you figured your ratio on the inspected hogs and not on the whole thing?

Mr. SYKES. I tried to make an explanation. I explained that before you came in, Senator.

Senator JOHNSON. No; I have been in all the time.

Mr. SYKES. I explained we marketed last year 53,000,000 Federally inspected hogs and as nearly as we estimated that was two-thirds of the entire number marketed. In our estimate of 70,000,000 we tried to include all the hogs.

Senator JOHNSON. We want to be fair to both sides. I agree that I am a farmer like yourself. When you mentioned the cost of the wagon in 1914 and the price you received for hogs in 1914, and the price you paid for the wagon and the price you received for hogs to-day, have you figured that out—the comparison? The wagon is down at the present time, isn't it?

Mr. SYKES. Yes; it is lower than it was last fall.

Senator JOHNSON. And what did you get, for instance, in 1914 for hogs in Iowa?

Mr. SYKES. My recollection is they sold for 7½ to 8 cents.

Senator JOHNSON. And you paid $85 for your wagon?

Mr. SYKES. Yes, sir.

Senator JOHNSON. And in 1922 how much were your hogs then?

Mr. SYKES. You mean 1923?

The CHAIRMAN. The $85 wagon was bought in 1914. The Senator is asking about prices in 1923.

Senator JOHNSON. He answered the first question. Now, in 1922, let us say, how much was the wagon then; is that when you paid $150?

Mr. SYKES. I did not buy.

The CHAIRMAN. He bought it in 1923.

Senator JOHNSON. And then your hogs were 8 cents?

Mr. SYKES. No, sir; last fall the hogs were selling below 7 cents.

Senator JOHNSON. In 1922 the average price was 8 cents?

Mr. SYKES. Yes, sir.

Senator JOHNSON. Because, you see, the other side say to us, "You received so much a bushel for wheat in 1914 and so much for other things, and you had to pay so much," and they say, "Now you get more for a bushel of wheat and then things have gone down comparatively speaking to what you had to pay in 1914."

Mr. SYKES. Yes, sir.

There was just one other thought I wanted to impress on the committee and that is the fact that the farmer is unable to extricate himself from this condition. I have sat here and listened to men tell this committee that they feel that if you will just let the farmer alone, not just in that language, but they have said, "Don't pass any of this fool legislation, but just let him alone; he will dig out; he always has dug out in the past and he will dig out again." I have heard that time and again. Now, I am here to say seriously and candidly, gentlemen, that the farmer when he does dig out of this thing he will be out of the running; he won't be a landowner and maybe not a tenant; he will be going down with his family and looking for day work as an unskilled laborer in the city. They are now doing it in our own State, going to town, renting a little shack that they can get just as cheaply as they can, with an idea of supporting the family there from the wages they derive as unskilled laborers.

There are only two things the average farmer can do, that is he can either farm on the farm and live that way, or go to town and become an unskilled laborer on the street or at whatever work he can find to do at any place he can find anything to do. He is not fit for anything else; he has not been trained for anything else. That does not include of course, all farmers, because we have as well educated farmers and as well educated men on the farm as we have in any industry, but taking the rank and file of the men forced out of the farming business, you will find them in that class.

Does this nation want to create that kind of a situation? Can it afford to create that kind of a situation? It seems to me the things is going to react on this nation. You take our own great State of Iowa: Over 50 per cent of our farms, close to 60 per cent, at the present time are now occupied by tenants.

Senator McNARY. Is that rapidly on the increase, Mr. Sykes?

Mr. SYKES. Yes, sir; it is.

Senator GOODING. Is it on the increase in Iowa?

Mr. SYKES. Yes.

Senator McNARY. How rapidly are people abandoning the farms and moving to town, in your part of the State?

Mr. SYKES. Of course, I have no definite figures on that.

Senator McNARY. In general terms?

Mr. SYKES. To a very large extent. In my own community—I live in a county seat town of 2,000 people—there have been farm sales all over that country this past winter, men closing out, becoming discouraged, and they say, "What are we going to do," and they are at a loss, and some of them go to town and say, "That is all I can, do, I can not make out here."

Senator JOHNSON. On the other hand, some of the farmers that sold out four or five years ago and moved to town are going back to the farm, because they get their old farms back?

Mr. SYKES. They are forced to go back. We can find these kind of men in any town.

Senator McNARY. Take your county seat where you live: What is that land worth per acre, or is it moving?

Mr. SYKES. No, sir; there are no sales of land there; only forced sales.

The CHAIRMAN. What does land bring when the sale is forced?

Mr. SYKES. I should say, roughly speaking, about $150—although in exceptional cases it might go a little beyond that.

Senator GOODING. That is with good improvements on it?

Mr. SYKES. Yes, sir.

Senator GOODING. And that is the cream of Iowa? It is as good as there is?

Mr. SYKES. Yes.

Senator GOODING. I have been through the State. It is a wonderful country.

Senator JOHNSON. You are pretty close to Minnesota, aren't you?

Mr. SYKES. Yes. We live in one of the richest—I will say there are other localities just as good—but we live in one of the richest agricultural districts in the United States.

Senator MCNARY. Have there been any bank failures in your little community?

Mr. SYKES. No, sir; there have not been any, fortunately, for our county. We have prevented them. Last fall our county bankers' organization put up $40,000 to keep one bank open; each bank subscribed so much. We did not want this particular bank to close; we did not want the thing to start. If it started we did not know where it would end, and when that bank got to the point where it could not remain open 24 hours longer and the department officials were there, we put up the $40,000 to keep the bank open.

Senator GOODING. Men that had a little money when times were good, had good bank accounts, their accounts are getting rather small?

Mr. SYKES. Yes, sir; in our own bank lots of men that carried a nice deposit with us prior to the deflation now are on the other side of the ledger borrowing.

Senator GOODING. I found that condition in my State. I remember especially a farmer who came from Oklahoma and had a nice bank account, and I was told of others. This particular farmer was a real farmer and he had considerable surplus when he came from Oklahoma, but he soon went broke and he was pretty well in the red when I last heard of him.

Mr. SYKES. The best farmers that we have in our community—that is, the most up-to-date farmers—are running behind. The only men in any one of our communities that are getting ahead at all are then men with large families of their own and all the members working, the wife and the children, and charging nothing up for service. These men are able to get along and just keep things going nicely.

Senator GOODING. The man with a small piece of ground with his wife and his family are just getting by in my State, and just by, that is all.

The CHAIRMAN. If that is all, Mr. Sykes, we will call the next witness.

Mr. SYKES. I want to thank you, gentlemen, of the committee for giving me this opportunity to be before you.

STATEMENT OF J. W. SHORTHILL, OMAHA, NEBR.

Mr. SHORTHILL. Mr. Chairman and gentlemen, I think I have very little to offer on this matter.

The CHAIRMAN. For the record, Mr. Shorthill, please state your business. What is you official connection with the farm organization out there?

Mr. SHORTHILL. I, at the present time, Senator, am just appearing on my own account.

The CHAIRMAN. You are connected with the Farmers' Union out there?

Mr. SHORTHILL. No, sir; I am connected with the farmers elevator organization.

Senator JOHNSON. What they call the Grain Dealers' Association?

Mr. SHORTHILL. The Farmers Elevator Association; yes, sir; they are somewhat different names in different States, but it is composed of farmers.

Senator JOHNSON. Are you not a national officer of that organization?

Mr. SHORTHILL. Yes, sir.

The CHAIRMAN. You are appearing here on your own responsibility?

Mr. SHORTHILL. I happened to be in the city on another matter, and I am, at the present time, appearing without any request or any instruction from the organization, simply on my own behalf.

The CHAIRMAN. Go ahead in your own way, Mr. Shorthill.

Mr. SHORTHILL. I do not care to attempt to say anything in detail about the general situation, as I presume that has been more than covered already.

The CHAIRMAN. It has been pretty fully covered, I think, Mr. Shorthill.

Mr. SHORTHILL. All that I do care to say is to give some estimate or conjecture about the bill, for it appears to me that the situation is very largely theoretical, of necessity, because of the absence of any past experience along similar lines.

The agricultural portion of our country in sections and at times is confronted with a crisis and is probably in a position to be assisted and should be assisted, if it is in such a position, by the Government. If the marketing machinery is clogged, it is obviously the duty of the Government to exert every effort and every power it has to open up the channel, but we are confronted with a matter of an actual surplus for which there appears to be no demand. We have a very much different situation than has confronted us before, and we have a very difficult situation confronting us. I do not question the sincerity or the good intention of anyone in connection with this proposition. The only question I consider is what the probable result might be. I can see nothing in prospect except a necessity of the Government under this piece of legislation——

The CHAIRMAN (interposing). You are referring now to the McNary bill?

Mr. SHORTHILL. That is the subject under discussion.

The CHAIRMAN. That is one of them; you can talk about any bill you want to.

Mr. SHORTHILL. I had understood that the matter being considered by the committee was this bill, known as the McNary bill.

The CHAIRMAN. That is what you are talking about?

Mr. SHORTHILL. That is what I am trying to talk about.

The CHAIRMAN. All right.

Mr. SHORTHILL. It seems to me that, in trying to take up where I left off, there is very great possibility of the Government being confronted by a situation which will pull it into the very thing which the bill seeks to avoid, and that is a necessity for the Government stepping in and buying and merchandising the very product which the bill does not anticipate it will merchandise, except in a limited way. To my mind there is no way whereby the Government can stabilize prices except by the direct purchase and sale of the commodity and the control of its purchase, sale and movement by the Government itself. I am not advocating that as the advisable thing to do. I am only suggesting that it is my opinion that it will be very easy and very possible for a situation to arise under this legislation which will compel the Government to do that very thing. The only question therefore in my mind is as to whether there is a possibility in legislation of this sort to secure to the producers the benefits to which they are entitled, which the Government desires them to have, and which is perhaps to be secured under this machinery.

For instance, in serving on a committee which determined the flat prices on wheat during the war, it seemed to me that the question concerning the committee was an effort to determine in advance and name a price on wheat which must be projected in a straight line into the future for 12 months, while the price of other commodities were left to be following all sorts of grooves, up and down, while we were to determine or make an attempt to determine the price that would be equitable to the producers in wheat. It was a very difficult problem indeed.

If I understand the proposition under this measure that would put the same problem to the United States Government, except it would be done for one month at a time instead of for a year, consequently the price may rapidly be represented by a period of 12 horizontal lines of some relative position rather than one horizontal line.

I presume that the object of all of this proposed legislation is to raise prices to a proper level; that is a very laudable purpose, but it is a purpose which is very doubtful of ultimate success, and on that point I understand that all this legislation being proposed is only to be temporary in its functioning.

It seems to me that past experience has quite clearly indicated to us what the result is when prices of farm products are increased; immediately the prices of all other things increase. Take one instance: I recall the case of one farmer in western Nebraska who, while he was receiving a high price for his wheat, found it necessary to pay a farm hand $7 a day for 100 days; those are terrific prices for farmers to have to pay, yet many of them did it during those times, and people had the impression that the farmer made a tremendous amount of money during war times because of high prices he received, and those people are entitled to correct their ideas of the situation.

I assume that this legislation will accomplish its purpose. If that be true, then other commodity prices will have a sudden tendency to rise; that was the case during the war. The very announcement of the fact that the farmer had been granted a minimum price on his wheat immediately affected the prices of many other things by increasing those prices. In theory, it seems to me, that if a plan such as this were put in operation, and if it did accomplish the purpose it intended, then there would be a rise of other commodity prices, which would mean that for the next month there must be a corresponding rise in wheat prices, when wheat is the commodity taken charge of, which in turn would mean another rise of commodity prices following that, and the next month another elevation of wheat prices, with the very natural result that whoever was the owner of wheat would hold on to that commodity just as long as he saw the hope for that thing to happen.

On the other hand, if we might suppose the contrary to be true, and that instead of producing a normal crop it might be this year discovered, as spring approaches, that the character of our winter weather has destroyed the Hessian fly that obtains a start in the wheat fields, if the spring came favorably and every farmer was notified to plant wheat, especially with the encouragement of the Government, we might very easily have a crop of 1,000,000,000 bushels as we have had in the past. Then, instead of having 170,000,000 bushels for export, we would have 370,000,000 and the raid on the Government would be so tremendously increased that I doubt if other dealers, other purchasers, might be expected to hold up the price and I seriously question whether the influence of the legislation could then bring about the result so much desired without the Government getting into the purchasing of the commodity itself.

I have heard it suggested while I have been listening to these hearings that there was a principle in the bill which would tend to discourage the deliberate increase of production, but there are, you must admit, those who will deliberately increase their production, and if that deliberate increase in production were brought about, the farmer or producer would be penalized, but there are other factors that increase production besides the deliberate planting by the producer himself, and if that principle is contained in this bill then, at the time when the farmer had his greatest increase in production, when his prices were lowered and he needed the protection of the Government, must, according to that principle, do what would result in failure.

There is another suggestion in the bill, although I do not know it is worthy of very much consideration, but we must recognize the fact that in all activities, Government as well as otherwise, when they are placed in charge of individuals who are held responsible for their successful conduct, that those individuals feel that responsibility and are desirous of making a success of the venture. It seems to me that I can see in legislation of this sort the possibility whereby those in charge might, in a grave crisis, be induced to buy up a surplus and undertake to sell back in order to protect themselves that same surplus later on to the very producers from which it was bought in order to protect the interests of the Government in the transaction.

That is all I have to say except I want the committee to understand that I fully appreciate the present situation. In fact, I doubt if the people of this country, even now, fully and properly appreciate what the present situation does mean and how serious it is. The only question I have in mind is whether legislation of this sort can possibly

accomplish the object it sets out to accomplish and, for the reason that the people with whom I am connected have never taken action on this matter, and because there is very much difference of opinion, caused not only by a difference of ideas, but by different conditions prevailing in different degrees in different parts of the country, I hesitate to speak as a representative of an organization at this time. I am not trying or seeking to avoid responsibility for all I care to do at this time is to express this as my own private idea, not based on consultation or advice with any one else connected with any other organization or otherwise.

The CHAIRMAN. I think the committee appreciates very fully your frankness in the matter, and that is the kind of evidence we want, whether it is adverse to our idea or not. I happen to know of your intimate connection with the wheat farmers a great many years ago, and I was interested in it. Naturally, the committee appreciates, as you do, and perhaps you do more fully than we the awful condition of the farmer all over the country, and we want to remedy it. Now, have you any suggestion as to what, if anything, we can do by the way of legislation which would help the situation? Do you believe the Congress of the United States can legislate anything that would be of any assistance to the farmer?

Mr. SHORTHILL. If you will pardon me, Mr. Chairman, that is the question, the most natural question that arises in my mind when I talk with any one on this subject. That is the first thing I think of. I think that in order to solve any of these problems we must get down to the bottom and seek the cause. There is a lot of agitation about getting out of the hog production, and there is the slogan "Don't feed the hogs, feed the sheep," and there is a lot of agitation looking to the farmer to get out of wheat farming and get into diversified farming and there are the slogans "Eat more bread" and "Eat more meat." It is my general impression, at the present time, that if there is any criticism of the American people as a class—and they can afford to accept it—it is the criticism that they are eating too much. I may be wrong about that. There are some people in the country, of course, who are not eating enough, but I am speaking of the masses. To illustrate, Nebraska put on quite a campaign a few days ago, it is not completed yet, to help the farmer get into diversified farming. Immediately the cry went up from the dairy people "We are not able to make anything, and when all the farmers have dairy farms we will have to go out of business." What I mean to say is this:

It is my notion that if we had our production in this country so evenly balanced that no class could have an advantage over another and that no class would have a disadvantage and the production were nicely balanced then, as a total, we would probably have overproduction in the country as a whole. If we were just eating enough wheat, drinking enough milk, eating enough bread, just buying enough of this and that, our production would be excessive, and simply because we are not producing efficiently enough. It has seemed to me for a number of years that the prospect ahead of us was this prospect: That in competition with the world if we do not wake up and get down to a basis of efficient production, we will have a mighty hard job of marketing the surplus in competition with other world countries.

What are we to do? Cut labor costs? I certainly would not. We want good wages for labor in this country, but after that is all said and done we must get down to efficient production. The farmer is doing it. Until we get that idea soaked into all the heads of all the people of this country we must get down to this basis sometime; they must do it sometime or other, and until they get down to this basis, on which basis the farmer now is and has been all the time, we are going to have a mighty hard job of shifting the difficulty from one place to another and to get rid of it.

Senator MCNARY. You say the fair is on an efficient basis of production?

Mr. SHORTHILL. It is more efficient to-day than ever before.

Senator MCNARY. You say, "We must get down to efficient production." Who do you mean by "we."

Mr. SHORTHILL. The country as a whole.

Senator MCNARY. The manufacturer and the laborer?

Mr. SHORTHILL. The manufacturer and the laborer, all kinds of business, all the way through.

Senator MCNARY. How is this all going to check up with your hypothesis if the farmer has to compete with the peasant laborers of Europe; that is his market and where his products are to be sold. How are we going to efficiently help the farmer to compete in foreign markets with cheaper labor and lower standards of living? I can not follow your logic on the farm proposition.

Mr. SHORTHILL. I think if the farmer has a fair chance, an equal chance with the markets of the world, that his greater capacity production in this country will enable him to meet the competition in other countries. The question of transportation charges have been brought up here, and while that is a small item, yet it is not a small item for the producer in Iowa and Nebraska in the heart of this surplus producing country where they have the longest rail haul of all the farmers. There is an opportunity there where there might be an adjustment and I think the proposition which has been suggested for an adjustment of freight charges is something of merit to the farmers.

Senator MCNARY. That is transportation?

Mr. SHORTHILL. That is one of the items.

The CHAIRMAN. Do you think that the farmer, through additional hours of labor and more highly improved farming machinery, could successfully compete in the labor field with the farmer of Argentina with the price of wheat and still live in a manner comparable to the manufacturer and laborer of this country?

Mr. SHORTHILL. Yes; if production in this country were equalized on an efficient basis.

Senator MCNARY. I have to have things pointed out to me. I do not get your "efficiency."

Mr. SHORTHILL. The great item in production on the farm is time. Other industries than the farming industry have a chance to adjust themselves to demand, and they do it immediately as the necessity arises; the farmer does not have that opportunity. If these industries that produce the things which the farmer has to buy and on which he must depend are on any false basis, they pass the burden right on down to the farmer, and he has no opportunity to pass it on to others. Consequently these industries that are able to add up

an expense bill, so to speak, base their prices accordingly and at least try to operate on the basis of those charges, and when they can not operate on the basis of those charges quit operation and go on an entirely different basis from what the farmer has to operate on. If it comes Maytime in the wheat field and the farmer has a splendid crop of wheat growing, even though he knows there is a great surplus in sight, he can not stop his wheat from growing; he can not quit operations; but it is entirely different with other institutions, and that is what I mean by efficiency all along the line and reduction of production costs as a result of efficiency, and that will be a decided relief to the farmer. I do not mean to say that that can be brought about by longer hours on the farm.

Senator McNARY. That brings us to this proposition. We want to restore the purchasing power of the agricultural dollar?

Mr. SHORTHILL. It must be an equal dollar with every other dollar in the end.

Senator McNARY. Let me ask you, are you a member of the grain exchange?

Mr. SHORTHILL. No, sir.

Senator McNARY. Or any of the exchanges?

Mr. SHORTHILL. No, sir.

Senator McNARY. Are any of your elevator companies members of the exchange?

Mr. SHORTHILL. No, sir.

Senator McNARY. They do do business on the grain exchange?

Mr. SHORTHILL. They do with private dealers.

Senator McNARY. I assumed that, of course, when you gave your connections. You figure that if bills similar to this one were put in operation they would injuriously affect the grain exchanges and also the elevator business?

Mr. SHORTHILL. I have not said that.

Senator McNARY. I know you did not, but I am asking you the question?

Mr. SHORTHILL. I indicated it. That has not entered into my consideration of it. The only thing I had in mind was whether the legislation might be expedient.

Senator McNARY. Have you any objection to answering the question, whether, in your opinion, inasmuch as you are dealing on the grain exchanges the adoption of this bill or one similar in type or character would injuriously affect the grain exchanges or the business done thereon, particularly in futures?

Mr. SHORTHILL. There is no question but what it would affect the business done there. There is no question about that because the Government entering into the business would inevitably have its effect on the business, but I am considering this measure entirely and solely from the standpoint of the producer of grain who is in the organization and for whom this bill is seeking relief.

Senator JOHNSON. Would you be in favor of the Norris-Sinclair bill? You have heard about that, I suppose?

Mr. SHORTHILL. I have heard of it; yes, sir.

Senator JOHNSON. What do you think of it?

Mr. SHORTHILL. I doubt very much whether even the influence of the United States Government is sufficient if it stepped in to sustain the farmers' markets in this country at any and all times, and any

bill that has that for its purpose I question very seriously whether it could succeed in normal times.

Senator CAPPER. Have you any suggestion to offer as to what this Congress can do to help the farmer?

The CHAIRMAN. That is the question I tried to have him answer. What can we do, Mr. Shorthill, if anything? Is it your judgment that there is not anything, possibly, that we can do by legislation that could help the situation? If there is anything we can do by legislation, what in your opinion is it?

Mr. SHORTHILL. No; I am not saying it is not possible to do anything to assist. I think this is primarily true; that this is certainly a poor time to use a specific instance to encourage the farmers of this country to continue or to enlarge a business of wheat production. I do not mean it is a time for the farmers to quit growing wheat; I do mean it is a poor time to inject any false encouragement into that line of business, because it is a poor business and it is going to continue to be a poor business at best for the next two years.

The CHAIRMAN. Do you think we ought to let it alone, then?

Mr. SHORTHILL. If there are places at any time where the situation has become critical, I think it would be a very proper procedure for the Government to very carefully proceed in cases of that kind and render such assistance as is necessary, even to the extent of taking a hand temporarily in the investment.

The CHAIRMAN. How would we go to the assistance of such a farmer? We want to do something practical. Should we loan them money? Is that what you mean?

Mr. SHORTHILL. There may be cases where money would help out, something of that sort will help out, not additional extensions of credit, however, because I think that possibly too much credit has had a lot to do, or too easy credit has had a lot to do, with our condition in many lines, but if there are places where the situation is critical and the financial situation is tense and the Government can come in and assist in tiding that over, it is a proper thing, in my opinion, to do that, even though the Government might be taking a chance.

The CHAIRMAN. That is the point we are trying to bring you to, Mr. Shorthill. I think it is conceded that that is the condition. Now, how can we do it? You say the proper thing is to go to their assistance. That does not mean much, so what we wish you would tell us is how you think we should do it. You do not think that we should do it either by the McNary or the Norris bills. How can we do it?

Senator McNARY. Are you familiar with the Norbeck bill? Will that do the work?

Mr. SHORTHILL. I am only familiar with it as I have seen notices in the press.

Senator McNARY. Would that do the work?

Mr. SHORTHILL. With all due respect to your interest in the matter and to my position, I think it would be necessary to consult people who are qualified to speak on these matters that you have in mind, bankers and farmers themselves, who are in direct communication or connection with the situation, and if then a situation is found whereby it seems to be necessary that some one should step in and carry over and relieve the situation, I believe that would be the proper thing to do, but as to the procedure I must say that I have not given enough

consideration to it in order to give specific answers to questions as to just what the detail of the procedure will be.

The CHAIRMAN. As I take it from your testimony, you would not advise the passage of either the McNary or the Norris or the Norbeck bills, would you?

Mr. SHORTHILL. I would hesitate to do so at the present time.

The CHAIRMAN. I am not trying to trip you up. I want your frank judgment.

Mr. SHORTHILL. That is what I am trying to give you.

The CHAIRMAN. Then the question comes back to this: If we do what you want us to do now, would we throw aside all these bills and not try to do anything? If we are up against a proposition we can not remedy, we ought to know it and quit if we can not do anything. There is no use of us trying to do something that we can not do. I think, however, that we are going to do some good, and of course my judgment may be wrong, but some people think we are making a mistake by trying to legislate on the subject. Is that your judgment?

Mr. SHORTHILL. I think it is probably a mistake for the Government to undertake to legislate a market either directly or indirectly.

The CHAIRMAN. Put up your own proposition, whatever it may be. What can we do, if anything? First, do you believe there is anything we can do? Second, if you do, what is it?

Mr. SHORTHILL. I think we are confronted with a problem where it is very doubtful if there is an able and immediate solution.

The CHAIRMAN. Is there any solution, anything that will give partial relief?

Senator CAPPER. Is there anything that will help?

The CHAIRMAN. Yes; is there anything at all that will help?

Mr. SHORTHILL. As I stated before, I think there must be in view of all we have heard considerable opportunity for the United States Government to step in and help the situation by tiding it over. The situation is improving in certain sections.

The CHAIRMAN. Tell us what you think the committee ought to recommend in the way of legislation, if anything?

Mr. SHORTHILL. Possibly the appropriation of some Government money to be used where needed in cases of this kind to tide over the situation, that might be a very great assistance in such circumstances.

The CHAIRMAN. That would be, then, to take some Federal funds and loan them to the farmer or banks, who in turn would loan it out?

Mr. SHORTHILL. Yes; especially if that could be done in such a way that the farmer could get an extension of credit on reasonable terms.

The CHAIRMAN. Would not that conflict with your theory of easy credit that you say was one of the reasons for the farmer getting into trouble?

Mr. SHORTHILL. I have said not the extension of new credit, only the carrying over of what exists.

The CHAIRMAN. That is as far as you go?

Mr. SHORTHILL. I rather think so.

The CHAIRMAN. Do you have any idea of how much it would take in cash to carry over the farmers who are in this condition what they need, do you think you have any idea as to the amount of cash necessary? Have you any computation of that?

Mr. SHORTHILL. No, I have not.

The CHAIRMAN. Don't you know it would have to come up pretty nearly to the billion mark, that nearly all the farmers in the United States would have to be helped if we did that?

Mr. SHORTHILL. Yes, that is true.

The CHAIRMAN. What machinery would you set up to loan this money by?

Mr. SHORTHILL. I had not quite completed my answer. I do not anticipate it would be necessary for the United States Government to furnish all the credit, or even the greater part of it.

The CHAIRMAN. Who would?

Mr. SHORTHILL. The other local financial interests. It is being done.

The CHAIRMAN. How could the Government by legislation compel or induce those others to carry over the credit? They can do that without any law. How can we compel them to do it?

Mr. SHORTHILL. You can not, but it is already being done in a great many communities.

The CHAIRMAN. That is being done now. We can cast that aside as already being accomplished. What else is there left to do?

Mr. SHORTHILL. The only question is whether there might not be some places where assistance is needed and where it is not available locally.

The CHAIRMAN. You would first ascertain where these localities are?

Mr. SHORTHILL. Yes; we would first have to locate the localities.

The CHAIRMAN. And then you would confine the governmental efforts to those localities?

Mr. SHORTHILL. Yes.

The CHAIRMAN. How would you go about finding out where they were?

Mr. SHORTHILL. I should think——

The CHAIRMAN (interposing). Do you know any locality where they would not claim at least that that was one that should be assisted?

Mr. SHORTHILL. Yes; I think there are localities that would not be seeking Government assistance unless there was some financial advantage in securing it.

The CHAIRMAN. There would be in every case.

Mr. SHORTHILL. Yes; if there were a lower rate of interest or more favorable terms, that would be an inducement to securing the aid and it would be an aid.

The CHAIRMAN. The Government, of course, if it went into the business, would not exact a very high interest, so it would be a lower rate of interest than the farmer could procure anywhere else, certainly lower than he would get from the bank and that would mean that every locality would make application, at least, is not that true?

Mr. SHORTHILL. That would be one of the details of the administration of it. But if this which I have suggested is also impractical I must say that I would be compelled to confess right now that I have no answer to the question.

Senator JOHNSON. The time will soon be up and I have to go. It seems as though you do not favor either the bill of Senator McNary nor the Norbeck bill, nor the Norris-Sinclair bill. Would you, Mr.

Shorthill, be in favor of some measure whereby the farmers could organize themselves together in an organization that would control production, make it possible for them to have orderly production and an orderly marketing, so that they could say that they have produced so many bushels of wheat and ask a certain price for it just like the manufacturer of wagons and binders do. Would you be in favor of that? In such a measure they would set their own prices like others.

Mr. SHORTHILL. If we had an organization of that sort and did that, we would have to do that the same as all the rest of the manufacturers do.

Senator JOHNSON. We do that in Minnesota and we are nearly doing it in Nebraska.

Mr. SHORTHILL. I want to call your attention to the fact that I said we would have to do that like other folks did. Now, when manufacturers in other lines undertake to do that, they must limit production carefully. The question in my mind is whether there can be an organization in this country that can control the production of the farmer and make a reasonable profit.

Senator JOHNSON. Does not the manufacturer limit the number of chairs he manufactures?

Mr. SHORTHILL. That is true.

Senator JOHNSON. And for instance, the National Harvester Co. of America, I should say the International Harvester Co., that makes it bigger, they manufacture mowers, binders, and reapers, and when they have an overproduction they sell the surplus on the world market and take a little loss.

Mr. SHORTHILL. That is what your producer of agricultural products would have to do.

Senator JOHNSON. Yes; under this bill. But would you be in favor of this other proposition that I and some of us radicals are proposing now?

Mr. SHORTHILL. I do not know whether it is a matter that could be carried out to a final solution or not. I pointed out, I think, that the manufacturer who has a surplus can close down his factory as did a large automobile factory not many years ago, and remain closed until the surplus has been taken up.

Senator JOHNSON. But all the time he had a surplus on hand, and so can the farmers have a surplus on hand. We could store our surplus.

Mr. SHORTHILL. I do not know about that. I hear them tell prospective purchasers that they had better put in the order because the surplus would already be exhausted.

Senator JOHNSON. Suppose you take our place and become a lawmaker and you are asked to do something for the farmer. What would you do? What would you suggest to us to do?

Mr. SHORTHILL. I have no suggestion other than what I have already made, Senator.

Senator JOHNSON. I have not really got very much out of your plan. I want something concrete before you go back to Nebraska. Suggest something so we can put you on record back there.

Mr. SHORTHILL. As I say, I have no suggestion further than what I have already made, Senator.

Senator JOHNSON. Maybe we have legislated too much already, but if we don't legislate some more the farmers can not help themselves; that is the way it looks to me.

Mr. SHORTHILL. That may be all very true.

The CHAIRMAN. If we have nothing further to suggest, we will ask the next witness to give us his views.

STATEMENT OF H. E. GOLDSWORTHY, ROSALIA, WASH.

Mr. GOLDSWORTHY. Gentlemen of the committee, I am from the State of Washington, a wheat farmer, and I represent the Washington Export Commission League, an organization that has been formed in the last two months for the sole purpose of attempting to secure assistance for the farmer through legislation, something along the line incorporated in the McNary bill. We were organized before this bill was drawn up and introduced, but since his bill has been introduced we have made a very complete study of it and are unanimously for this bill.

Senator MCNARY. What was your primary object in organizing?

Mr. GOLDSWORTHY. I will go into that a little and say to you that last fall there was a mass meeting of farmers, wheat growers, and those interested in the production of wheat, called in eastern Washington to see if anything could be done in the way of relief. At that meeting we appointed a permanent chairman, and he was empowered with the appointment of a committee representative of all phases of this industry, and people who were interested in all phases of the production of wheat and those who represented the different branches of the banking industry, the National and State banks, the land banks, and farmers from all over the wheat-growing section of Washington, were included in this committee. We had a representative of the Retail Merchants Association.

This committee met and had spent several days going over the entire situation and considered proposals, 15 or 20 of them, received from different sections of the State, and the final conclusion of the committee was that the only possible hope for the wheat grower lay through securing legislation that would put him on a par with other industries by taking care of his surplus of wheat.

We realize that the surplus of wheat was one of the greatest problems that we had to contend with in this situation and that as long as that was on hand we were on a world market.

We then went out, Mr. Chairman, and presented to the farmer and the business men, and the bankers of the State of Washington, the McNary-Hogan bill. We did not go into the plan or the detail of the bill, for we had just the rough draft before us, but we went into the plan of the bill in general, and I can tell you we in Washington, the farmer, the businessman, everyone concerned with the matter, is unanimously for this measure in the State of Washington, not alone the wheat grower, but the banker and the businessman. We have perfected our organization in the State of Washington, and there is not a wheat growing section of Washington that has not a local organization of the Export Commission League with practically the entire people numbered in its membership as members of the league. We have executive committees of the local organizations and they through their presidents form county organizations and the

county forms the State organization. We have a member on every farm in that part of the country.

Our State Bankers' Association and the Spokane Chamber of Commerce and other organizations in the country have indorsed the organization, and we have almost a 100 per cent membership in this Washington Export Commission League.

That shows the interest they are taking in the measure and the unanimity of support that the measure has received and that unanimity of support has been reached by a careful study of the provisions and the farmer now feels that no other help is available than through this bill.

Much has been said here, Mr. Chairman, in regard to other measures of relief. We ask out there that you do not extend us any more credit. The Norbeck bill does not apply to us. There is only one thing that will help us pay our debts, and that is a rise in the prices that we get for the things we raise.

I come from a county that is the richest in the United States. We this year raised over 13,000,000 bushels of wheat and we are to-day harder up than we were a year ago.

Senator McNARY. What county is that?

Mr. GOLDSWORTHY. Whitman County, and just a few days ago one of our banks went in the hands of the receiver. Now, there is one reason for that situation: I have figures here to show that it cost us 25 to 50 cents more to raise a bushel of wheat than we get for it.

The CHAIRMAN. What is the county seat?

Mr. GOLDSWORTHY. Colfax. Now, that is the condition that confronts us, and if there is a solution for that question I know you will realize that an emergency exists and you will find a solution. We are convinced that there is only one solution, and that is something that will take care of the exportable surplus.

The CHAIRMAN. Does your organization have any connection with the organization Mr. Hewett is connected with?

Mr. GOLDSWORTHY. We have not. I can say this, however, we have the indorsement of the Washington Wheat Growers' Association, which is affiliated with the American.

The CHAIRMAN. Your members are also members of that?

Mr. GOLDSWORTHY. Yes, sir; I have been on the board of directors of the Washington Wheat Growers' Association since it was started.

The CHAIRMAN. I wish you would tell us why you have the two organizations of the same nature, both trying to do the same thing?

Mr. GOLDSWORTHY. They are not entirely the same. Our Wheat Growers' Association is a wheat-pooling organization, handling the wheat of its members. We, as an organization, the wheat growers, have come to realize that because of our inability to organize the farmers 100 per cent, we are unable to do the things for them that this bill does. If we could organize our farmers 100 per cent, and we have tried very earnestly to do that out there, this piece of legislation would be unnecessary. If we could organize the farmers 100 per cent we could do this thing ourselves that we are asking the Government to do for us. But, it is impossible. I have been working in the organization field ever since it was started.

The CHAIRMAN. This bill was really originated in connection with the Wheat Growers' Association, was it not, and that you organized this other association for the purpose of getting behind the bill?

Mr. GOLDSWORTHY. We had just one purpose in organizing the Export Commission League, and that was to get everybody behind this one thing, and all these different organizations have indorsed the Export Commission League and they are all back of it.

Senator McNARY. That is your sole function?

Mr. GOLDSWORTHY. Our sole purpose.

Senator McNARY. And that is called the Washington Export Commission League?

Mr. GOLDSWORTHY. Yes.

Senator McNARY. Will you let me ask you the grade of wheat grown in your country, is it the same as is grown throughout Washington?

Mr. GOLDSWORTHY. Pretty generally. We raise a soft wheat.

Senator McNARY. I received a letter yesterday from someone who said they favored this plan, but that they thought it would be of more value to the northwestern section; he mentioned Minnesota and, of course, Washington as the other great wheat-growing section of the country. Does this bill in its application benefit one section of the wheat growing area, or does it benefit every one?

Mr. GOLDSWORTHY. Not at all; I think every section in the United States enjoys the same benefits under this bill.

Senator McNARY. I could not figure it out myself. I wanted to know if you thought it would discriminate?

Mr. GOLDSWORTHY. No; it would not.

Senator McNARY. Would it affect advantageously one grade of wheat over another?

Mr. GOLDSWORTHY. No, sir.

Senator McNARY. Do you see any discriminatory measure in this in any way?

Mr. GOLDSWORTHY. No; not in any way whatever. We raise in Washington hard wheats, almost similar in quality to that grown in Montana and the people of that section are unanimously for the bill just as much so as are the people in the soft section, because they realize the tremendous things this bill will obtain, and appreciate the fact that the functioning of the bill will result in the raising of values for the wheat.

The CHAIRMAN. It would be sold in the same way, by grade, but the scrip would be issued by the bushel?

Mr. GOLDSWORTHY. Yes, sir.

Senator McNARY. Your organization is called the Wheat Growers' Association. I think Mr. Hewett says his organization operates in nine States. Is that the same growers' association extended?

Mr. GOLDSWORTHY. Yes, sir.

Senator McNARY. Is it the hope eventually that it will be so large that they can do what their neighbor, the manufacturer, does not?

Mr. GOLDSWORTHY. I think there are still some people that have that hope. Personally, while I may have hoped that in the beginning, I do not see any hope for it now.

The CHAIRMAN. I do not see any possibility of it.

Mr. GOLDSWORTHY. Neither do I. I think such a thing is beyond hope.

The CHAIRMAN. That would mean that every man who grows wheat, if he only grew five acres of it, would have to belong to the association. It would be an inducement for the man who grew only a

little wheat to stay out, because he would get the benefit of the rise and would not have to bear any of the loss.

Mr. GOLDSWORTHY. We find that in the operation of the State association. The outsiders get the full benefit of what the man does inside, and the man inside carries the loan and, of course, they feel they are holding the sack while the other fellow gets the benefit of it.

The CHAIRMAN. I think that is true of all kinds of organizations.

Mr. GOLDSWORTHY. I think so; yes.

Senator MCNARY. The cooperative fruit organizations in the West find that they must have some measure that will force everybody in or some law that will be coercive if they are going to derive the utmost benefits from their efforts.

Mr. GOLDSWORTHY. That is my opinion, exactly, Mr. Chairman, and we believe that this bill will do the trick.

The CHAIRMAN. You do believe that this bill will do the trick?

Mr. GOLDSWORTHY. Yes. There is one other point that has been mentioned here that I would like to speak about, and that is with regard to diversification. Our farmers are so hard up now that they can not diversify. I believe where it is possible to do it to some extent, but they can not do it because of the climatic conditions. Even in those sections where it is possible, we can not do it because we are too hard up.

Senator MCNARY. Would not the Norbeck bill apply there?

Mr. GOLDSWORTHY. Possibly it would, but the Norbeck bill does not extend that far in its application.

Senator MCNARY. It does not limit its operations to any particular section?

Mr. GOLDSWORTHY. I have not a word to say against it with respect to its local application of temporary relief. Here is one thing this bill will do if you will provide us with a little profit. If we go back on an operation basis of 1913 we can go ahead and diversify, we can raise hogs, and we can go into the dairy with a little capital, and change the operation to a diversified operation. We have had it impressed upon us, the value of diversification, and our farmers appreciate the value of that. We have to diversify where we can if we maintain our soil fertility, and we realize that and by providing a little profit on the wheat production you will not drive us to producing wheat to the exclusion of everything else, but you will put us back on the 1913 basis, and we will do as we did then when we were forced into production; we will go back to the 1913 basis when we did diversify extensively, and we will do it again. We realize that that has to be, if we maintain our soil fertility, and we will do that if we can.

Senator MCNARY. Without legislation, do you see anything in the immediate future that would assist the farmer in getting back to a better condition?

Mr. GOLDSWORTHY. I think, Senator McNary, without legislation we are hopeless; our position is hopeless. I can not see a chance for us without legislation. That is my honest opinion.

Senator MCNARY. How many acres do you farm?

Mr. GOLDSWORTHY. I farm about 900 acres. I raise as high as 65 bushels of wheat to the acre, and I had a loss on that.

The CHAIRMAN. Is that in Whitman County?

Mr. GOLDSWORTHY. Yes. We have one county out in the State that has seven banks in it, and one has its doors open to-day and it levied a 200 per cent stock attachment last year. Practically every bank in our county has levied 100 to 200 per cent stock attachment, but I do not need to tell you about that or to dwell on it. You, of course, recognize the emergency.

The CHAIRMAN. We are confronted with obstacles that are still ahead of us. There is very serious objection to any kind of legislation, and a great many very honest people think we are making a mistake, while they, at the same time, admit that the condition is terrible. They tell us there is no remedy for it, and we have to let the farmers die. That will be the situation we will face in the Senate as well as here, because it will be much stronger there, because, without questioning the motives of anyone, there are a lot of people who think we are wrong, and when we do decide to legislate, even friends of the legislation do not agree as to what will bring the remedy. A very few Members of Congress really hear the testimony that we have heard about the conditions, and, on the other hand, there have been some who have come before the committee and testified that conditions were not bad and that they are getting along all right. You must not get the idea that the prospect of any legislation is very promising.

Mr. GOLDSWORTHY. I do not think we have that idea.

The CHAIRMAN. We have a very difficult proposition before us, and I think it is doubtful whether we can do anything. Don't you agree with me in that?

Senator MCNARY. Yes, indeed.

Mr. GOLDSWORTHY. Here is the way our farmers feel, bankers and business men, because they get their profit out of the wheat sack: We feel that the wheat grower is not entirely to blame for the position he finds himself in to-day. We were put into this position through appeals to our patriotism, and it is because of the appeals to our patriotism that we have raised so much wheat, and to-day, through the application of our protective tariff system, and I am in hearty favor with it personally, we are at a disadvantage. All we ask for in this bill is to be put on a par with other folks.

The CHAIRMAN. That is a very important point, Mr. Goldsworthy, but take the committee attitude now: We are confronted with a system that has put everybody, excepting the farmer, on rather an artificial basis as compared with the world. We will be met with this proposition. Instead of trying to put the farmer on that basis we should take the balance of the people and put them down to the basis on which the farmer is now.

Mr. GOLDSWORTHY. The people of the United States as a whole are willing to take pot luck with the rest of the world now, and the farmer will take a chance with them.

The CHAIRMAN. I do not think there will be any doubt of this position. The farmer would get some relief if this bill were put through, but it is contended that he might have more injury done by its operation than good. Take the tariff for instance: I think there are a good many tariff items that treat the farmer more unjustly and makes him pay a higher price for things, although most of the expensive things he has to buy on the farm are actually on the free list, but the whole, concerning everything, is on an atmosphere built

up by a protective tariff so that it increases the price even if some of the things like farm machinery of certain kinds is on the free list. The fact is the machinery is not made abroad to any extent so there is not much advantage in putting him on the free list with regard to that.

Mr. GOLDSWORTHY. If we were all the way down the line on that idea, it would open up the immigration bars. Personally I do not believe in that. Our farmers, on the whole, I do not believe would favor that. We would much rather have agriculture raised up than have the other fellows pulled down. Our indebtedness to-day is largely indebtedness that was incurred from inflated valuations. I have been out at thousands of the meetings down in our State, and in some of the meetings in your State, Senator, where there were 700 people out, and the sentiment there is not for pulling down anything, but for building up. Our farmers want to be put on a par with the other citizens of the United States; they don't want to tear them down, they want to build them up.

Senator MCNARY. Is the War Finance Board functioning out in that country, Mr. Goldsworthy, to any extent—I mean Mr. Meyers's organization?

Mr. GOLDSWORTHY. I am not in a position to answer you on that, Senator.

The CHAIRMAN. If you have nothing further, Mr. Goldsworthy, we will ask the next witness to come forward.

Mr. GOLDSWORTHY. I thank you, gentlemen, for this opportunity of appearing before you.

STATEMENT OF A. R. SHUMWAY, MILTON, OREG.

Mr. SHUMWAY. I am president of the Oregon Cooperative Grain Growers in Oregon and have been since it was organized two years ago. I am from the State adjoining that from which Mr. Goldsworthy comes, and the conditions he described as existing in Washington are identical to those in Oregon. I have been in farming in my county, which is the largest county in the State of Oregon, all my life; I was born 51 years ago, and I have lived there ever since.

Senator MCNARY. What is the extent of your cooperative growers' organization in the State?

Mr. SHUMWAY. We handled this year three and a half million bushels of wheat. We have about 3,500 members.

Senator MCNARY. Are you affiliated with the American Wheat Growers Association?

Mr. SHUMWAY. Yes; I am vice president of it.

Senator MCNARY. Is your organization affiliated with it?

Mr. SHUMWAY. Yes.

Senator MCNARY. Is it a branch of it, or something of that kind?

Mr. SHUMWAY. It is a branch of it.

Senator MCNARY. It carries a different name in each State, is that it?

Mr. SHUMWAY. Yes; each State takes its own name.

Senator MCNARY. All right, you may continue.

Mr. SHUMWAY. When Mr. Meyer and Mr. Mondell made their trip through the West last fall, they were entertained at Portland by the city bankers' organization. At the close of the meeting, W. L. Thompson, vice president of the National Bank, moved that a committee be appointed, and he was appointed chairman of the committee. I attended the meeting and I heard the report he brought in, and the report favored the cooperation if it had some Government sanction, and this we had been discussing in our organization for over a year, because last fall the principles of the McNary bill bringing farm products up to an equality in purchasing power to the pre-war period had been presented to us. We presented the principles to the committee and they unanimously indorsed them and agreed to start up this Export Cooperative League on the same lines as Mr. Goldsworthy explained to you. Mr. Thompson is the president of the exporters.

Senator MCNARY. You say you have been studying the principles involved in bill No. 2012 for a year and a half?

Mr. SHUMWAY. Yes; we have been doing that.

Senator MCNARY. How did that come about? Who presented it to you? What was the process of its evolution until it reached the stage of bill No. 2012?

Mr. SHUMWAY. There was one of our members, Charles Howard, I think his name was, who was back in Washington last fall, and somehow he got the principles of this bill from the office of the Secretary of Agriculture, and he also got a pamphlet written by Mr. Peak, of Illinois, and we discussed these principles in our organization, and our action in the matter is shown in our minutes of over a year ago last fall; you will find by an examination of those minutes that we indorsed that in the Oregon Cooperative Grain Growers' Association, and the principles were indorsed last fall by the American Wheat Growers, and Mr. Howard was instructed to see what he could do toward getting across the bill and getting the bill introduced, and he came to Washington, and, in conjunction with the Secretary's office, the bill was largely drafted.

I attended an annual convention of the Farmers Union, an organization composed of nearly 4,000 members last December, and I also sat on the executive board of the Farmers Union, and they indorsed this unanimously. Out in Condon, which you will remember, Senator McNary, was the largest county in central Oregon, the farmers there heartily indorsed the bill and are in favor of the principles of the bill. Letters and telegrams that I am receiving constantly show that they are thoroughly organized now in this export commission league which has been described by Mr. Goldsworthy.

Senator MCNARY. How extensive is your operation?

Mr. SHUMWAY. I have 600 acres of farm land, 1,200 acres of pasture, and run 200 head of cattle besides the wheat. I tried to diversify but I could not do it profitably. I have 60 acres of alfalfa that I feed to the cattle.

The CHAIRMAN. You work that?

Mr. SHUMWAY. Yes.

Senator MCNARY. I think it has been told to us before that the States are pretty well organized in principle. I heard this discussed in general when I was home this summer. I have received indorsements by letter and by telegram from farm banks and merchants recommending the passage of this bill.

Mr. SHUMWAY. I also have received letters and telegrams indorsing it.

STATEMENT OF S. W. M'CLURE, SALT LAKE CITY, UTAH.

Mr. McCLURE. On this occasion I represent the National Wool Growers' Association and the Western Tariff Association.

At our annual convention of the National Wool Growers' Association, held at Salt Lake City, we had 800 sheep men in attendance, representing all of the Western States. They passed a very strong resolution which I will present here, heartily indorsing this bill. Our State Wool Growers' Association, the Idaho Wool Growers' Association, and the Oregon Wool Growers' Association likewise presented resolutions indorsing this measure. I happen to be manager of the Western Tariff Association, which is an organization recently brought into existence, having for its purpose the maintenance of the protective tariff on the raw materials of the West, principally our farm products. As this bill brought in the tariff question and seemed to us to offer the first real solution of the agricultural interest in the tariff, to the full benefit of the tariff, we have heartily indorsed it on account of that.

Senator McNARY. What action did the woolmen take at this meeting?

Mr. McCLURE. They heartily indorsed the McNary bill, and the Western Tariff Association likewise indorses it. I attended the wheat meeting at Pendleton. We had Mr. Brand, of the Department of Agriculture, to address us on the wheat question. They got hold of him and asked the president of the Oregon Wool Growers' Association to have him discuss the wheat question for us. Before we got through there were 300 wheat growers in there, and he had a most enthusiastic meeting with the wheat men, and the most hearty indorsement of the McNary bill that ever I have seen or known to have occurred.

I do not know that I have anything to add, except to lend oru hearty indorsement to the proposal.

(Thereupon, at 12.20 o'clock p. m., the committee adjourned until February 13, 1924, at 10 a. m.)

PURCHASE AND SALE OF FARM PRODUCTS.

WEDNESDAY, FEBRUARY 13, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m., in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senator Norris (chairman), McNary, and Ralston.

The CHAIRMAN. We will proceed, gentlemen.

STATEMENT OF MR. GRAY SILVER, AMERICAN FARM BUREAU FEDERATION.

Mr. SILVER. Mr. Chairman and gentlemen of the committee, in speaking to the McNary bill, if I may, I would like to read first a resolution of the executive committee of the American Farm Bureau Federation, adopted at its meeting held in January, 1924:

Whereas owing to disproportion of prices and costs due to trade practices, apportioning of territory, unfair tariffs, embargoes and other elements of high cost factors, the American standard of living is being lowered and the dignity and security of the entire industry threatened: Now, therefore be it

Resolved, That in the present emergency we urge a serious consideration of Senate bill No. 2012 and House bill No. 5563, companion bills, known as the McNary-Haugen bill, offered as emergency relief measures, and we approve of the intent and purposes for relief of said bill, desiring, however, that the bill be amended in such way as to be made more useful in times of emergency and more available to and in harmony with the purposes of farmers' cooperative marketing associations.

And then, if I may, I would be glad to read a statement handed to me by Mr. Bernard M. Baruch, one of those with whom we discussed this bill.

The CHAIRMAN. All right.

Mr. SILVER. Mr. Baruch's statement is as follows:

Equality for agriculture is what the farmer is striving for. What are the inequalities? Other industries are organized and farming is not. Therefore, the farmer buys in a more or less restricted market and sells in a competitive market.

The price obtained for the surplus determines the price the farmer receives for his total product. The price of American surplus wheat is made in the Liverpool market, where it comes in competition with the wheat produced by the cheapest labor in the world. But the price of a manufactured article is not necessarily determined by the price the surplus brings because,on account of Government protection and trade practices, the manufacturer can sell here all the market will absorb and sell or dump the balance in the markets of the world.

Therefore, it is only just to permit the farmer to do what is necessary to correct the inequalities. It should be unnecessary for him to sell competitively, and the fixing of the price of his total production by the surplus that comes in competition with the cheapest labor of the world should be prevented. How can that be

done? The provisions of the NcNary bill will do that. In the beginning, let me say that I am not in favor of all the bill contains, but I do favor the principle of it which will accomplish the following:

It will make cooperative marketing mandatory where it is now permissible. The price is not to be arbitrarily fixed by the farmer, but there is a minimum price below which wheat can not be sold. This figure is determined by a proper relationship with all other things on the index list of prices of the Department of Labor creating a proper relation between the results of labor in agriculture and the results of labor in other industries. Surely there is nothing unfair about that.

When the necessity occurs, the President will declare a crisis, let us say, in wheat. Then by mandate all selling of wheat will be fixed at a minimum price which will be arrived at according to a fair relationship established by scientific and well-known principles of price ratios between wheat and other things. A computation will be made of the probable surplus and of the amount of money necessary to take care of that surplus. From the price at which the wheat is sold will be subtracted a certain amount, which will be used for the purpose of buying the surplus wheat at the minimum price. From each bushel that the purpose of buying the surplus wheat at the minimum price. From each bushel that the farmer sells he must pay into the agency that is established a certain number of cents a bushel, for which he will receive a certificate of interest. All the surplus wheat will be placed in a surplus-carrying corporation which will sell the surplus in the markets of the world, and return to the farmer his proportionate share of the price received. Thus it will be seen that the farmer himself bears any loss that may be entailed and that it is not a loss that can fall upon the Government.

There are some who may read stern economic lectures concerning this; but as soon as the principle of the tariff and of modern business is admitted, the correctness and propriety of this organization must also be acknowledged. There is no arbitrary fixing of prices, but only a price that will create a fair and proper relationship between the labor engaged in agriculture and labor employed in other industries. The farmer will take care of the surplus and pocket the loss; the consumer will meet only the same condition that he meets when paying for the other things necessary for his daily life, whether it be rent or clothing.

The CHAIRMAN. That is Bernard Baruch?

Mr. SILVER. Yes.

The CHAIRMAN. He states in his statement that there are parts of the bill he does not approve of. Do you know what parts they are?

Mr. SILVER. I do not. This is what he handed to me and is his conclusion. He did not criticise the bill, however.

Senator MCNARY. When did he make this statement?

Mr. SILVER. He handed the statement to me this morning.

Senator MCNARY. Is he here in Washington?

Mr. SILVER. Yes. He is at the Shoreham Hotel. The reading of the resolution to which I have referred shows that our group approve of the intent and purpose of the bill, and the suggestions referred to in the resolution are along the following lines: They should like very much to see the bill so amended in the first clause that it would be possible, if desired by the cooperatives later on, that they might take over the Government agency, and become, with the Government, a joint agency of the cooperatives, and it hopes that some such amendment might be possible.

Senator MCNARY. You want the cooperatives to succeed the governmental activities defined in the bill?

Mr. SILVER. Yes.

Senator MCNARY. And become a permanent organization?

Mr. SILVER. Yes. All the cooperatives are endeavoring to get just what you have so nicely provided for in your bill, through a governmental agency, but, under your bill, as soon as the emergency ceases, then the functioning of the Government ceases, and the idea in the minds of the cooperatives is that they would take over this

organization and use it as their agency for the cooperatives generally, instead of junking a good machine. Their idea is to make this a permanent organization through permanent legislation.

The CHAIRMAN. You would have to have some measure that would provide, by law, for the forcing of all these people into the organization; otherwise a man would stay out becuse if he stayed out he would get the benefit of the rise and would not take any of the loss.

Mr. SILVER. I realize that you have to empower the corporation. But the Government has an agency through which to exercise that function, and our thought is that it could be administered just the same by the cooperatives later on as by the Government now.

The next criticism that we have is with respect to the naming of the board of directors. Originally, we think, there should be at least two of the four to be named dirt farmers; that is, we should have two dirt farmers on the board, and they should be elected from the cooperatives group, so they would be in training for functioning at such times as this idea matures. If this is done, they would have trained people to go right along with the merger, and you would be setting up right there, instead of an experimental proposition, a permanent instrumentality.

On the question of ratios, our people are of the opinion that the ratio adopted in the bill is hardly a fair one. The intent is all right, but if we take the ratio of the average of 10 pre-war years and find the buying power on the basis of that time it will not be quite fair, because since that time the farmers have been increasing their indebtedness, as is shown by the census, from around eight billion to twelve or thirteen billion dollars. In addition to that there is to be considered the equipment of the farm. During the war period it was considered unpatriotic to maintain that equipment up to the standard, and since the war the farmers have not had the money with which to maintain their equipment properly, and there are these seven or eight billion dollars to be considered during that time, and in addition to that there has been a shrinkage of land values estimated at 25 per cent, which would bring the total figure around twenty billion dollars, making the farms worth twenty-five or thirty billion dollars less than what they were during the period when this ratio is made effective. So we think there should be a 10 or 15 per cent figure added, and we suggest that there be added what the technical man would find would be a fair allowance for the difference in the position occupied by the farmer to-day and the position occupied by him before the war.

I think these criticisms are all the criticisms we have to make. We suggest these amendments as constructive and helpful, and we certainly hope that the bill will become a law. That is all we have to suggest on the question.

STATEMENT OF T. C. WINN, NEPHI, UTAH.

Mr. WINN. My name is T. C. Winn; address, Nephi, Utah. I represent the Utah Wheat Growers' League, which is a division of the local Farm Bureau in my section.

Utah produces between five and six million bushels of wheat annually and is heavily interested in the production of livestock.

All my interests are represented in farming. I operate a dry-land wheat farm of about a thousand acres. The summer fallow method is practiced in our district. We harvest a crop only every other year; that is, we must farm the land two seasons to produce one crop.

I am glad of the opportunity of appearing before you in support of the McNary-Haugen bill. I have attended a number of the hearings on this bill before this committee, and also a number of hearings held before the House committee. I think the necessity for farm relief legislation has been fully developed, and that it is agreed by practically everyone that something must be done if our farming industry is to be saved from utter collapse.

I believe the McNary-Haugen bill is the only bill ever introduced in Congress with the definite idea of increasing the farmer's price on farm products and suggesting a definitely worked out plan as to how this may be done without Government price fixing and without loss to the Federal Treasury.

It is definite and not theoretical in its application. It is a measure to provide machinery to enable the farmer to take advantage of the protective tariff laws on basic farm products of which a national surplus is produced, such as wheat, corn, hogs, and livestock; and to adjust the tariff so as to establish and maintain a ratio price on such products at a purchasing power point equal to the average enjoyed by such product during the 10-year pre-war period 1905 to 1914.

Had such a law been in effect during the year 1923 it would have increased the price received by the farmer for his products approximately as follows:

Wheat	per bushel	$0. 50
Corn	do	. 16
Hogs	per hundredweight	3. 83
Cattle	do	1. 17
Sheep	do	1. 08

The operation of such a law would be general. It would affect every bushel of wheat, every ear of corn, and every head of hogs, cattle, and sheep in every part of the United States exactly in the same way, no matter where located. It would mean an increased return to the American farmer of more than a billion dollars annually.

Under the operation of such a law, with the ratio price fixed, the farmer would be able to sit down with his family and figure out with a fair degree of accuracy just what it would mean to him individually. Hope would again be revived and contentment again replace the feeling of discouragement and despair now gradually settling down upon our farming communities.

We must have positive relief if the situation is to be saved. We have passed the point where theory may be longer experimented with, without grave danger of sacrificing our agricultural independence, and dragging down with out agricultural collapse a great part of our banking and other industrial interests.

I appreciate the sincerity of the members of this committee in their expressed desire to support such legislation as will give most reasonable promise of relief to the farmer. I believe the McNary-Haugen bill would be most effective in its beneficial results, and would probably meet less opposition on its way to passage than other splendid measures that are before the committee.

I note, however, that there appears to be a doubt in the minds of some as to whether or not the McNary-Haugen bill if enacted into law will be workable, and if workable, whether the cost of its administration may not be so great as to seriously impair, if not altogether destroy, the object sought to be attained—that of increased price to the farmer for his product—and if actually put into effect, would it result in such an increased production of the commodity affected as to make it impossible to dispose of the surplus, and would this eventually react to the detriment of the grower and leave him in the end in a worse condition than he now is, and would putting such a law into effect so increase the cost of living as to start a cycle of increases in the prices of other commodities that would offset the farmer's benefit under the law and leave him in the end in the same relative position as when he started.

Friends of the bill—those who have given it most careful study—see no reason for alarm in these seeming possibilities, but at the same time realize that they are questions that must be met, and that at least some reasonable explanations must be made.

I would not presume to imagine that the suggestions I may make will point the only way of ironing out these difficulties if the bill is passed. Much simpler ideas and better methods will undoubtedly be developed in the actual administration of the law, but if I am able, with my limited ability, to advance suggestions that will help the committee to determine that administration of such a law is reasonably possible, in such a way as to preserve to the grower the benefits and relief sought, and which under the intention of the bill should accrue to him, without danger of creating serious disturbance in any other line of industry, I should urge that as sufficient justification for favorable committee action.

As to the workability of the bill: Taking first the question of scrip to be issued to the grower, the proceeds from the sale of which will provide the equalization fund to pay the expenses of operation of the proposed corporation, and the losses sustained in marketing the surplus product abroad; without reading into the record again the provisions of the bill before you, I direct your attention to section 304, which provides the manner in which the scrip shall be prepared, made available and distributed, and to section 305 which designates the purpose for which the money obtained from the sale of the scrip may be used, and that if any remains after paying the expenses and losses of the corporation, it shall be distributed back to the growers in the shape of a prorated dividend, each grower to receive his part of the dividend by simply presenting his scrip at his nearest post office.

In providing, distributing, selling, and redeeming this scrip no new agencies are set up, only a nominal expense is incurred, and the only accounting to be done is between the corporation and the postal department. Surely no other method could be devised that would be simpler or less expensive.

In section 303 we have definite instructions as to how the scrip shall come into the hands of the grower, and again no new agencies are set up; no expense incurred, and no accounting or auditing necessitated.

The obligation to tender and accept scrip as part payment for the product up to the amount required as an equalization fee, is made

mandatory upon both the buyer and the producing seller, and an adequate penalty attached in case of neglect or refusal of either to do so, and as the grower at least is interested in the success of the plan, and since its success depends primarily upon the creation of the equalization fund, it is unlikely that he will be induced to try to avoid compliance with this requirement of the law and subject himself to the risk, not only of helping to defeat the purpose of the law, but of also laying himself liable to prosecution, which would cost him many times the amount he could possibly gain by having avoided the requirement.

Objection has been raised to the requirement of payment of this equalization fee on deals made strictly between farmers. In anticipating changes that will be made in the bill, I have assumed that this requirement will be eliminated, and that payment of the fee will only be required on products actually entering commerce. The term "entering commerce" to be so defined as to leave no opportunity for a difference of opinion as to what is meant, my suggestion being that it include only such product as passes from the ownership of the grower to the possession of a dealer who acquires same for resale in commercial trade. This point in the case of livestock might be determined to be at the point where the animal finally enters the market to be slaughtered or it might, I think with safety, be left to the corporation to fix it at such other point as in the administration of the law might be found better adapted to carrying into effect the intent and purpose of the bill.

As to determining the amount of exportable surplus: It would be manifestly impossible to determine in advance the exact amount of any product that would become available during any given month of the year as surplus for foreign shipment. The surplus must develop gradually throughout the year and in a natural way, so that it would be impractical to designate in advance how much of the product must be purchased by the corporation each month of the year, as now contemplated in the bill. (This is another of the changes I have anticipated will be made.) It seems to me that the logical and simplest way to determine this surplus, and at the same time maintain the established ratio price, will be for the corporation to purchase all surplus, both potential and real, as it appears on the various terminal markets, or at such settlement points as may be designated by the corporation.

To illustrate, we will assume that the corporation will maintain buyers at each of the terminal markets, and at such other settlement points as may be provided for, with instructions to buy at the ratio price such of the products coming under the terms of the bill appearing at the market as is not absorbed by the regular trade at or above the ratio price. As long as the regular trade called for all the product offered at any market at or above the ratio price at such market, there would be no surplus there to take care of, and consequently no occasion for the corporation to function as a buyer in that market; but whenever a condition developed where the regular trade failed to absorb all offerings the corporation would buy the excess offered, and thus maintain the ratio price.

By operating in this way, however, it is very probable that the corporation would buy more product than could safely be shipped out of the country without danger of causing a domestic shortage,

so that as a matter of sound business policy and orderly marketing it would distribute its export sales over and throughout the various months of the year in such quantities as the estimated surplus would justify, always holding back a sufficient margin to safely protect domestic needs and reselling same in the domestic market whenever necessary to prevent a shortage occurring.

As to exporting the surplus: In the case of wheat no difficulty would be encountered, in my opinion, in the exporting of the surplus, as wheat in its raw condition is more easily and readily exported than as processed or manufactured product. Undoubtedly, however, the policy of the corporation whenever possible would be to permit the mills to convert the wheat into flour and other mill products, so as to employ American labor and machinery as fully as possible and before any wheat were exported, as wheat, it would probably be offered to the mills at the price it would bring if sold direct for export, and if a deal were consumated it would be turned over to the mill in bond to be milled and shipped to foreign markets. It would not be necessary for the corporation to handle any of the processed products of wheat, and it would probably not attempt to do so unless it could be done in such a way as to reflect an advantage back to the grower.

Exporting of the livestock surplus: Exporting of the livestock surplus might be done in practically the same way, except that in the case of livestock arrangements would need to be made with the packers, either to process that part of the surplus which could not be moved promptly in export as livestock and store the product until such time as it were disposed of by the corporation or to purchase same outright and process and hold it in bond for export until disposed of in that way, none of it to be turned back onto the domestic market except by arrangement with and permission of the corporation at such times as it were found an excess amount had been withdrawn which threatened a domestic shortage of some portion of the processed product.

It would not be important that the exact proportions of the finished product representing the slaughtered animal be exported as long as the same amount of pounds of some part or parts of the animal were shipped out, the result would be the same. And this would admit of exporting the surplus in whatever form it appeared, whether as lard, bacon, hams, or any other portion of the finished product.

As a last resort, if no satisfactory arrangement could be made with packers, either to process and store the livestock products for the cooperation, or to purchase same outright for export as suggested, unless some other way were developed, the corporation would be under the necessity of providing its own processing facilities. This might be of advantage to the producer, but would, I think, be very unfortunate for the packers, since such an organization operated by the corporation would unavoidably become an active competitor for a considerable share of the domestic trade, and would to a certain extent, at least, monopolize the foreign markets in which the packers now find an outlet for their cheaper cuts and other stocks which do not move readily in domestic channels.

The CHAIRMAN. Let me ask you about that. You have assumed in that illustration that this corporation has bought the hog and

turned it over to the packer and the packer killed the hog and rendered it into its various component parts. The packer, buying in the same market that the Government buyer is in, buys enough to keep his machinery going all the time; you would not always be in shape, it strikes me, to make that kind of a deal with the Government, even it were considered desirable, because you would not have the facilities to do it. What provisions would there be in the law that would help us out of that kind of a dilemma?

Mr. WINN. I believe, Senator, you did not get the point I made there in connection with handling the stuff—by the corporation.

The CHAIRMAN. I think I did. If the corporation handled it directly, they would have to establish a packing plant.

Mr. WINN. Yes; and that would take care of cases where packers already were provided with sufficient material.

The CHAIRMAN. In order to carry out that plan, you would have to build a packing plant, and in that you would only prepare for shipment the things this buyer representing the corporation would buy. At times you would get nothing. You would not buy unless the market went down. Sometimes you would have enough to run your packing plant and it would be idle at other times. Such a packing plant when so operated, only part of the time, would not be economically operated.

Mr. WINN. My thought there, Senator, was that the packers would be willing to permit the Government to actually build a plant of their own; my thought was that some arrangement would be made with some packers to take care of this processing.

The CHAIRMAN. Of course, the packer would not do it unless he made something out of it, but I could easily see if the packing plant were to run, it would have to run all the time. That would be the only economic way it could run. Now, these packers have their buyers for a particular purpose, and the purpose of those buyers is to buy in what they require. They would not know in advance how much the Government would buy, neither would the Government. It would all depend upon the market. If the Government bought a great deal and they had enough to keep their own plant running, you would get into trouble and you would have difficulty in getting your livestock butchered and rendered.

Mr. WINN. It might be necessary to provide at least one packing plant, particularly in close proximity to the point to which you ship.

The CHAIRMAN. You would buy enough to keep the plant going, and if you bought in Omaha, if your packing plant was in Chicago, you would have to reship to Chicago where you would process the product or ship from Buffalo back to Chicago or ship to Atlanta, Ga., or from there up to Chicago, and by that time you would have a pretty heavy freight bill.

Mr. WINN. My thought is that if the Government established a packing plant at all it probably would be at some export point. You would have your freight in any event shipping your product to the export point and by having your plant at the export point you would not be duplicating the expense.

The CHAIRMAN. You would establish your packing plant at New York or some other point?

Mr. WINN. New York, Baltimore, or some point where the freight could be kept as low as possible and where the product would always be on the way to market.

The CHAIRMAN. If you had it in your power and were going to establish that kind of a plant, what kind of an idea would you have as to the size? You would have to be prepared to handle hogs, sheep, and cattle, at least, would you not?

Mr. WINN. Yes; I think there would be a possibility of the corporation having to provide for the packing of these products, although I think it very unlikely that that would occur because there would be a distinct advantage to the packer in taking over the products, and under the plan suggested here any possible surplus could be handled by them as a part of their domestic supplies, while if it were required to be taken over by the corporation then the corporation must necessarily turn that back onto the market of supplies required for domestic use at the prices that the packers are selling for which would include a profit.

The CHAIRMAN. Let us take that dilemma: You are in Chicago and you represent this corporation named in the bill, and you bought 100 hogs to-day and you go to Swift & Co. and you say, "I want you to take these 100 hogs and butcher them and store them in your plant until I can ship them." What would be the process?

Mr. WINN. What would be the process?

The CHAIRMAN. That same day Swift & Co. would kill 1,000 hogs in their own business. Would it be a practical proposition to take the hundred hogs that you bought and keep them separate all the way through that process so that you would know how much lard came out of the hundred?

Mr. WINN. It would not seem to me that that would be necessary.

The CHAIRMAN. Why do you say that?

Mr. WINN. Different types of hog render about the same per cent.

The CHAIRMAN. You say, for instance, here are 100 hogs. How much lard would that be, how many pounds of ham and shoulder, and how much hair, and all the other things that would go into it? When coming to make that figure Swift & Co. would always get the best of that bargain, and you would be helpless. Is not that so?

Mr. WINN. I think that by proper inspection probably that could be avoided.

The CHAIRMAN. That might be, but it seems to me that is one of the great difficulties which we are concerned with.

Mr. WINN. Personally, I think there would be no difficulty there because it would be to the advantage of the packers always to process this stuff.

The CHAIRMAN. Yes, but it is to their advantage also to make as much out of it as they can, and it is considerably a mixed-up proposition, mixing it up with their own property, and you would not be able to process it if you did not do that, and they would know that they have 1,000 porkers there and they had bought enough themselves to keep their machinery going, I can see how there might be considerable competition among them and you might possibly get a good bargain, but now they are only four or five of them and the way they are getting on there will soon be only one and your competition will be destroyed.

Mr. WINN. I think not; I think not, because if it dwindled down to where only a few would handle the business that would leave an opening for someone else.

The CHAIRMAN. I know, but the tendency has been to dwindle it down, and instead of five we have now only four.

Mr. WINN. That would bring us back to the proposition we have been discussing of the possibility of the Government providing packing facilities.

The CHAIRMAN. It seems to me that is where you are driving and if you are driving there, then your buying must be considered on another basis than the basis you have been considering, and that is you must not only have in mind buying enough to keep the prices up, but enough to keep a packing plant going, and you would be moved, on the one hand, to get enough to keep the packing plant going and, on the other hand, to have a big supply come in. You might have to buy a good many more to keep the prices up than you could possibly take care of in your packing plant, and you would have your stuff on your hands. I think it is quite evident when you buy a fat hog or steer you have to kill him right away.

Mr. WINN. That is true to a certain extent, but it might be better economy to keep him a week or 10 days than to build a plant. However, I think the Senator will admit that it will be possible to handle it in that way.

The CHAIRMAN. That, of course, does not meet a good many of the difficulties. But that is just one point that I want you to consider about what the Government will do with this when it gets it.

Administration costs: As to the probability of the cost of administration of the law, if put into effect, being so great as to destroy the object sought to be attained—that of increased return to the farmer in the purchasing power of his product—there is of course no way of determining, even approximately, what the cost of administration would be; but we may estimate it high enough so that there will be no reasonable possibility of our estimate being too low, and when distributed over the units of product affected it will have very little effect on the amount to be returned to the individual farmer. Using wheat again as an illustration, if the cost of administration apportioned to this product should amount to seven or eight million dollars a year, which of course is much in excess of any reasonable maximum, it would only amount to about 1 cent per bushel on our wheat crop. And as the same per cent ratio would apply on all other products marketed under the law, there would not seem to be any possibility of materially reducing the price to the farmer through excessive administration costs.

Increased production: As to the effect of increased production, personally I should not like to be a party to suggesting a national policy the success of which might depend upon the curtailment of development of our agricultural resources or that would necessitate the restricting of acreage in any particular agricultural crop, except as the farmer himself might be induced to voluntarily adjust such crop acreages to conditions which his own judgment might suggest to him as being most beneficial to his interests. The McNary-Haugen bill provides a means of furnishing information to the farmer through which he may be guided with reasonable safety along this line, and under the proposed method of determining the ratio price a material

increase in the production of any farm product coming under the terms of the bill would tend to diminish the price paid to the grower. This would act as an equalizing factor in times of increased production through favorable climatic or other seasonal conditions where the volume of the crop has been materially increased without a material increase in acreage, as I understand was the condition in 1915, and would tend to emphasize the importance of avoiding an excessive increase in acreage by bringing forcibly to the attention of the grower the result of increased production in the shape of the reduced price he would receive.

The reduction in net price to the farmer caused by increased production does not, however, accrue as rapidly as members of the committee who may not have taken time to figure it out, might perhaps be inclined to suppose. It will admit of a considerably increased production without seriously effecting the return to the farmer.

Taking wheat again as an example:

Assuming our starting point to be a 750,000,000 bushel crop, 150,000,000 bushels of which is exportable surplus, the ratio price being 50 points per bushel above the export or world's price, and the equalization fee as finally determined, amounting to 10 points per bushel, the return to the farmer would be increased 40 points per bushel on the same ratio, when our crop reached 800,000,000 bushels, the equalization fee would be 12½ points, at 900,000,000, 16⅔ points; and at a thousand million, 20 points; so that an increase of 25 per cent in our production, other factors remaining the same, would result in a decrease of only 7½ points per bushel to the farmer.

This would assume that our consumption had remained stationery; that all the increase in production had been added to our exportable surplus, and that the relative world price had not changed.

I think it very unlikely that such an increase would take place within a very long period of time, and certainly not within the 10-year period covered by the McNary-Haugen bill, as no special inducement is offered under the bill to the farmer to produce wheat at the expense of other crops. The relative position of other basic crop prices as compare with the price of wheat, are improved under the operation of the bill, so that there could be no reason for farmers now raising other basic crops to change from them and devote their farms exclusively to the growing of wheat. And unless this were done, the only sources of increased wheat production, would be the shift from nonbasic crops to wheat, and new wheat producing lands that might be developed in small areas of now undeveloped territory.

A shift from nonbasic crops—that is, crops of which there is no national surplus now produced—would have the effect of causing a shortage in the shifted crop and undoubtedly increased prices of same would follow, and the farmer himself, being the largest consumer of such crop, would naturally suffer in consequence and as a matter of self-interest would shift back and bring about an equalization of the production at very near if not quite the same relative point at which the shift commenced.

The production from new land brought into cultivation through the natural development of the country would not need to be considered as of much consequence as the period is too short to admit of any extended development

But assuming for the sake of argument that operation of the bill would in some way, not now anticipated, cause a material increase in production, and it were found necessary in the interest of public harmony, or otherwise, to maintain the relative purchasing power of agricultural products at or near the point at which we started, that is about 50 points above the export price, this being necessary to maintain the standard of living of the American producer in line with the standard enjoyed by other classes, might it not be possible to so adjust the ratio price as to absorb the difference and leave the price to be received by the farmer in the same relative position as at the beginning? Under such an adjustment, when our production reached 800,000,000 bushels the ratio price would be 53 instead of 50 points above the world's market or export price; at 900,000,000 bushels this would have increased to 60 points; and at 1,000,000,000 to 67½ points. This adjustment feature might also be employed to absorb the difference in the world's market price in case our increased production and consequent greater exportable surplus should have a depressing effect on same.

Justification of the necessary increase in the ratio price in either case might be found, in part at least, in the fact that the all-commodities list on which the present ratio price is based does not include all the commodities which enter into the increased cost of agricultural production, it being already noted that at least two very important items are missing from the list—the item of labor, as labor, and the item of farm machinery—either of which, if included, would effect the ratio price in favor of the farmer.

Increased cost of living: Touching the question of the probable increase in the cost of living: Establishing a ratio price on basic food commodities above its normal level will naturally tend to increase the cost of living, unless the spread between the producer and the consumer can be reduced, which is not attempted in this bill, and we must not therefore attempt to dodge the question. We admit there will be some increase, but maintain it should not be so great as to cause disturbance in any other industry, as those called upon to bear the greater part of such increase are the ones most directly benefited by the provisions of the bill. The farmers themselves, representing a third or more of the population, would inevitably bear their share, and next to the farmer in importance would come the laborer. The farmer would make no complaint. Where would labor stand?

Under the present unfavorable rural conditions and unprofitable farm labor, hundreds of thousands of men are flocking from the farm to the city in the hope of bettering their condition. If this is to continue, which under a continuation of present farm conditions is inevitable, there can be but one eventual result, a disturbance of industrial conditions; a conflict between organized labor, trying to maintain its present high standard, and unemployed hordes who have come in from the farming districts, hungry and discouraged, and willing to work at a considerably less wage than must necessarily be paid to maintain the union standards. Hungry men chafing under the conviction that they have been or are being unfairly treated by their Government, which has afforded protection to one class and denied it to the other, would soon become a serious menace, not only to organized labor, but to the entire economic and political fabric of

the community in which they find themselves. "A house divided against itself can not stand." If in this land of boasted "equal rights to all and especial privileges to none" the great farming element is to be separated from other classes of citizenship and put in a class by itself; if under the operation of our laws, the farmer is to be made the "goat"; if other interests are to be fostered and protected at the expense of the farmer while his interests are despised and neglected; if he is to be forced into bankruptcy or, what is worse, into a condition of peasantry or semislavery; if his properties are to be confiscated under a system of direct and indirect taxation to such an extent as to make of him an object of public charity, then indeed has our statesmanship failed.

Putting the McNary-Haugen bill into effect would, in my opinion, not only put a stop to the migration of labor from the farm to the city, but would result in restoring the purchasing power of the farmer, which would immediately be reflected at the industrial centers in increased orders for manufactured products the farmer has to buy, necessitating the employment by the manufacturer of additional labor to supply such products, and of other additional labor by transportation companies to carry the raw material to the factory and the manufactured product back to the communities. It would be reflected in the fuel-producing sections in a call for additional fuel that would be needed by transportation and manufacturing concerns to take care of their increased business, thus creating more employment for labor in all the industries, and generally improving labor and industrial conditions, so that labor should not object to paying its portion of the very insignificant increase in living costs, especially when we remember that after the farmer has been advanced to a parity with the all-commodities list which forms the basis for establishing the ratio price sought to be put into effect with respect to his products, labor will still occupy a position and purchasing power relatively very much higher than the farmer.

There may be other ways than those suggested in the McNary-Haugen bill of restoring the parity between the farmer and other interests of the country. We recognize that it might be done by leveling other interests down to the plane on which the farmer stands, by putting American labor and industry in competition with the world markets in the same way the farmer under present conditions is required to compete in the world markets with his product, and that this might perhaps be accomplished by a readjustment of the tariff and other laws that now sustain other industries on a level far above the position of agriculture. We may agree that under some conditions this might be the logical and wise thing to do, but is it either a logical or wise thing to suggest under present conditions? It would involve a process of leveling down instead of building up. Would it not be much better under existing conditions if it can be done to elevate the farmer up to the plane on which other industries are resting than to attempt at this time to level other industries down to the plane on which the farmer stands?

During the period of inflated prices through which our country has recently passed our public debt, including National, State, and municipal indebtedness, has increased, I am told, to more than a hundred billion dollars. Leveling industry and labor down to the plane on which the farmer stands by removing the protection they

now enjoy, and thereby deflating the industrial dollar to the purchasing and debt-paying power of the farmer's money, would, it seems to me, have the effect of practically doubling this enormous public debt. This would appear to be a very unwise thing to do at a time when our country is groaning under an almost unbearable load of taxation, when, on the other hand, increasing the purchasing power or debt-paying ability of the farmer's dollar to a parity with the industrial dollar, as contemplated in the McNary-Haugen bill, will have the effect of decreasing the public debt by just the per cent the difference now is between these two units.

Just now there is a great agitation over the question of taxation. Our taxing law is to be revised and our taxes lowered. Theoretically this reduction of the rich man's taxes is in some way to be reflected in a lightened burden for the farmer. Much of the legislation passed during recent years has been supported on the "theory" that it would help agricultural conditions, but agricultural conditions have grown steadily worse, until the distress of the farmer is being vividly reflected in other industries dependent upon the farmer for their success. Particularly is this the case in country banking. Duns Review of January 12, 1924, records that in 1922 there were but 40 bank failures in the United States, with liabilities of $77,735,551; in 1923 the same authority reports 578 bank failures, with liabilities totaling $203,739,138. Data is not yet available for 1924, but I think it is pretty generally admitted that the per cent of failures so far this year is much greater than for the same period in 1923.

If the principles of the McNary-Haugen bill had been in effect during 1923, it would have distributed more than a billion dollars among the farmers of the country in addition to what they did receive. It would have doubled the property values of a very great per cent if not all the farming lands of the country. It is inconceivable that under such a condition there would have been any increase in the number of bank failures over the year 1922.

To stop country bank failures, restore the farmer's purchasing power and property values.

Mr. Chairman, the men who conceived the ideas incorporated in this bill were just as surely inspired as were the framers of the Declaration of Independence. If information as to what the bill is could be put out among the farmers; if they could be made to understand what the passage of such a law would mean to them; if they could be brought to realize that in preparing this bill, theory has been abandoned and good common sense applied to their problem, and that putting such a law in effect would mean a definite increase to them in the price of their product, every man who ever held a plow, every man who ever fed a hog, and every man that ever trailed a sheep or milked a cow, would stop long enough to write his Senator or Representative demanding passage of the bill, and we would have an avalanche of country mail the like of which was never before conceived. Let this be done. Let every farmer everywhere write his Representative here at Washington to support the McNary-Haugen bill, and I predict there will not be a man in all this honored membership of Senators and Congressmen will ever raise his voice in opposition to the bill.

I say again: Let this be done.

STATEMENT OF J. L. PAGE, WESTHOPE, N. DAK., REPRESENTING NORTH DAKOTA WHEAT CONFERENCE COMMITTEE.

Senator NORRIS. From what part of North Dakota do you come?

Mr. PAGE. The north central part, about 6 miles from the Canadian line.

Now, gentlemen, you no doubt have heard a great deal about this and it is not necessary for me to take much time. I simply want to call your attention to the great number of bank failures going on, which you no doubt have noticed; they are averaging at this time at the rate of one a day in each of the States of North Dakota, South Dakota, Minnesota, and Montana. The percentages of farm bankruptcies have increased from 7 to 30 per cent of all bankruptcies.

Senator CAPPER. What period does that cover?

Mr. PAGE. That covers the last three years; previous to that time 7 per cent of all bankruptcies were farm bankruptcies and since that time 30 per cent have been farm bankruptcies. Within the last 11 months, 10 per cent of the farms in North Dakota have been foreclosed, and that percentage has varied in different months up to as high as 36 per cent.

Senator CAPPER. Will you tell us, please, who made the foreclosures?

Mr. PAGE. The foreclosures were made by the loaning companies, extensively.

Senator NORBECK. Did the Federal farm-loan bank make any of the foreclosures?

Mr. PAGE. Some of them.

Senator CAPPER. Many?

Mr. PAGE. Some; I do not know what percentage. I happen to be secretary-treasurer of the local farm land bank and have made $350,000 of loans; they have foreclosed about—while my territory has been cut down since some of the loans were made—probably 5 per cent; in other words, there have been probably 5 per cent of the loans foreclosed.

The CHAIRMAN. What was the result of the foreclosure?

Mr. PAGE. In some cases the land has been resold where they could resell for it just about enough money to square them.

The CHAIRMAN. What do you mean?

Mr. PAGE. If they could sell so as to suffer no loss, they sold it.

The CHAIRMAN. Have they land on their hands that had been bought in?

Mr. PAGE. Some of them bid in the land and resell it.

The CHAIRMAN. Wherever they do bid it in, there is no other bidder or buyer willing to pay a higher price than would just get them out of the hole?

Mr. PAGE. Yes, sir; I might say one reason there is no greater number of foreclosures in our county is because there were second mortgages in a good many cases and the Federal loan was protected.

Senator NORBECK. In most cases it is the bank that holds them?

Mr. PAGE. Yes.

Senator RANSDELL. What has the Federal Farm Loan Bank done with the farms it was unable to resell? Is it leasing them, or what?

Mr. PAGE. Leasing them wherever they can. Land is leasing in our locality for one-fifth to one-sixth of the crop.

Senator RANSDELL. They have not been abandoning them, then?
Mr. PAGE. Some of them.
Senator RANSDELL. But only a small percentage?
Mr. PAGE. I should say in our county one-half of the land will be idle.
Senator RANSDELL. That the Farm Loan Bank had to take back?
Mr. PAGE. No, the total land between Bismarck and the Canadian border, about 150 miles.
Senator RANSDELL. Land that is possible of cultivation?
Mr. PAGE. Yes.
The CHAIRMAN. In your immediate section where you are familiar with the Farm Loan Bank law, how many farms do the farm loan banks have now that they bought in that they have so far been unable to resell?
Mr. PAGE. I do not know of any in my immediate territory. They have been taken up by holders of the second mortgage in some cases, and in some cases were sold at a sacrifice price. All the equity has been squeezed out of the land——
The CHAIRMAN. Yes, I can appreciate that. Let us take up the larger question of the mortgage companies and their foreclosures. Has it been necessary for them to take the land in?
Mr. PAGE. Yes; M. F. Murphy, the representative of the Union Central Life Insurance Co., tells me that he and the life insurance company are the largest taxpayers in this section.
The CHAIRMAN. That is because of the foreclosures?
Mr. PAGE. Yes.
The CHAIRMAN. They would be glad to have anybody bid a dollar more for them than they do?
Mr. PAGE. Yes.
The CHAIRMAN. They only bid to protect their own interests?
Mr. PAGE. That is all.
The CHAIRMAN. Can you give us any idea of the percentage of land now, when they have to resort to foreclosure, that they have to take in that way?
Mr. PAGE. Of the foreclosures they make?
The CHAIRMAN. Yes.
Mr. PAGE. I would say practically 100 per cent.
The CHAIRMAN. One hundred per cent?
Mr. PAGE. Yes. The condition is this and has been in our locality for the last five years: That the man who had money wanted mortgages and the man that would buy land had no money to buy with. We have been able to borrow more money on the land than we could sell it for and get cash.
Senator CAPPER. What becomes of the farmers who are closed out?
Mr. PAGE. We have had several farmers move to the State of Washington and different sections.
The CHAIRMAN. Some go to Canada?
Mr. PAGE. Not many went to Canada, because the price of grain was much lower in Canada than it is in this country.
Senator RALSTON. Has there been any considerable departure of farmers from our country to Canada during the last few years?
Mr. PAGE. Not from our locality.
Senator RANSDELL. In any portions of the country where they have been?

Mr. PAGE. The Canadians report a good many immigrants coming into the Northwest and from the increase in the production of their crops there must have been.
Senator RANSDELL. Some years ago we lost a great many people to Canada.
Mr. PAGE. We did. In our locality one farmer would buy his neighbor out and increase the size of his farm, and the fellow who sold took his money to Canada, and that was represented by a mortgage on the land, and this fellow that stayed had interest to meet on that, and that is one of the things that put our farmers in bad shape, reduced the population, and increased the mortgage indebtedness.
Senator NORBECK. What is the name of your county?
Mr. PAGE. Bottineau.
Now, this condition is affecting, of course, not only the banks and the loan companies, but the trust companies and savings banks, life and fire insurance companies throughout the State that make investments up there.
It is not the farm question entirely that we have to consider, but every man who has a life insurance policy throughout the United State is interested in this because the investments of the life insurance companies are made quite largely in farm mortgages.
Then there is the question of the morale of our farmers: The morale of our farmers has got rather low, I think, and the thing that hurt our farm morale more than anything else was the 1922 crop. We went through a great many hard years in our immediate locality. We have not had a paying crop since 1915. In 1916 there was the rust; in 1917 we had a dry year; in 1918, 1919, and 1920, we had grasshoppers; in 1921 was dry but we produced a crop in 1922 and had every hope that we would be able to pay something on our indebtedness, but the expenses proved so exceedingly high and the prices we received for our crops were so comparatively low that the most any of us could pay was probably an extra year's interest and in some cases we caught up one year with the interest and then the money was gone and I have heard the farmers say across my table day after day: "What is the use? When we do produce a crop it does not pay anything."
The consequence of this is that they are trying to live and take care of the children and let the land take care of itself; they have adopted the attitude that if they can not meet their obligations why, "let the mortgage companies take the land—we can rent it cheaper and for less money than it takes to pay interest and taxes," and they are giving up their homes, in some cases renting them back, and other cases moving away and trying to get a job elsewhere in a different vocation.
Now, all these things are attributable to a number of causes; the increase of the acreage during the war; the labor of the women and children that has been added to production and increased indebtedness for machinery and equipment during the war at very high prices; the continuation of high prices for machinery, harness, labor; the inability of the farmer to govern his output—because no man can tell what the yield will be—and the removal of the guaranty price before the readjustment was made. Prices for the products should be fixed so that they will enable the farmers to make a profit with normal yields, and I figure that is the remedy. Grain must pay the mort-

gages. We can milk cows and raise some pigs in that locality that will aid in making a living for our farmers, but we have no hope of paying off mortgages by milking cows or even by raising pigs in that latitude. We produce some corn. I was at Crookston on Thursday of last week and saw some excellent samples of corn and hogs that would be a credit to any part of Iowa, but I do not believe it is advisable to encourage our farmers to go too extensively to corn and hog raising because as witnesses have already said to this committee the hog market is in a bad way at the present time.

Senator NORBECK. How many years out of 10 would frost do any serious damage to the early varieties of corn properly cultivated and planted in the right season?

Mr. PAGE. I should say not one out of five.

Senator NORBECK. Would that be a killing frost or a damaging frost?

Mr. PAGE. A damaging frost. A man from Minot made the statement the other day that he had matured successfully seed corn for the last 12 years at Minot.

Senator NORBECK. Is there a little corn produced in Canada?

Mr. PAGE. Yes; the corn production is increasing fast. They produced 40,000 acres of corn in Canada last year, and they expect to increase it this next year to 100,000 acres. The king corn producer of Manitoba—I am acquainted with him, his farm adjoins the line—had 60 acres this last year.

Senator RANSDELL. Do your farmers as a rule raise on the farm the majority of the chickens and eggs and milk and butter and hogs that they use for home consumption.

Mr. PAGE. Yes, and we raise a good many turkeys.

Senator RANSDELL. You do a good deal of home trucking now in addition to the production of wheat?

Mr. PAGE. Just enough to supply the local town, except in turkeys.

Senator RANSDELL. And the family, does it raise its own stuff?

Mr. PAGE. Yes, sir. Now, I have confined myself to wheat here, for I realize I do not understand these other questions. The fact is there are a whole lot of things about wheat that I do not understand. But I have given considerable attention and study to the wheat problem and I would like to say this to the committee: When we consider the problem of stabilizing prices, a plan must be devised covering the following important points: A reasonable proposition must be presented; a workable plan must be devised, it must be based on facts; it must protect the producer from a slave's business at slave's prices, and it must protect the consumer from greed and profiteering; it must be so arranged as to prevent a gross overproduction and provide for the disposition of the surplus; enough articles should be included to prevent a charge of sectionalism, but it should be limited to those necessary staples that can be held without depreciation, and the farmer, with the aid of his banker, should be encouraged as far as possible to carry his own product on his farm.

In attempting to stabilize the prices of farm products we are entering upon unknown grounds and a problem no less important and difficult than was the problem of establishing the Federal reserve banks for the United States. The price of agricultural products affects not only the producers but also the consumers, including our entire 115,000,000 people. The terrible reduction in prices of farm

products in the deflation of the post-war period has demonstrated that the agricultural interests of the country must have a substantial basis on which to build their business enterprises, and the equally excessive inflation during the war period has demonstrated the necessity of a limit to which greed and speculation can go, for the seeds of trouble were sown during the inflation period that produced the harvest of destruction during the deflation period.

The purpose of stabilizing the prices of farm products should be to render some stable basis on which the young man entering the agricultural industry, or a business, a professional, a clerical, or a laboring vocation may reasonably plan for an accumulation to properly safeguard him in his declining years.

It is said that a speaker, when encouraging saving, during thrift week related that if a man had deposited $100 in the bank 12 years ago, at 6 per cent compounded, it would now amount to $200, and that he could now buy almost as much with the $200 as he could have bought with the original $100 when deposited. We need stabilized prices.

I know of no better way to judge the future than by the past, and by considering the average price of the principal staple farm products for the past 10 years I am convinced that a price can be determined that will guarantee at least the cost of production under normal conditions to the producer and stabilize the price thereof to the consumer, thus giving the producer a foundation on which to base his agricultural operations and the consumer a basis on which he may plan for the future.

Archimedes is said to have remarked, "If I had a place to rest a fulcrum I could lift the earth," and I am convinced that if the producers of this country are furnished a fulcrum, in the form of stabilized prices, they can lift agriculture from the mire into which it has settled during the past four years.

To do this I suggest the establishment of a stabilized price for the four great agricultural necessities of the country—wheat, corn, cotton, and wool. Wheat, because three times a day the people of the country depend upon it for their daily bread; corn, because indirectly it furnishes the meat to all the people of the nation; and wool and cotton, because they provide clothing for us all. By stabilizing the price of these four necessities, a basis of operation will have been given to practically every farmer of the United States on his principal product, and a price established to protect the food and clothing of the Nation.

When the farmer plans his season's operations, he goes to the bank and borrows money, buys a plow, harness, repairs, etc. He agrees to pay definite fixed prices for these articles and to pay a fixed rate of interest. In the nature of his business it is impossible to know what the yield of his crops will be, but neither does he know, nor can he estimate, what the price will be for what he produces. The idea of stabilizing prices is to put agriculture on a real business basis and furnish the farmers a foundation on which to build.

As I live in a wheat locality, I shall confine myself particularly to wheat, believing that the same plan can be applied equally as well to the other three articles in the establishment of a stabilized price, should necessity require it as in 1921. Care should be taken not only to protect the farmer in the cost of production of his basic crop, but also not to encourage him to raise one crop at the expense

of all others, and in this way return to the one-crop system of farming, from which he has been emerging during the past decade. To do this on winter wheat, I suggest that the 10-year average price be taken at Chicago, the central market of the country. According to the figures available to me, this price is $1.56 for No. 2 red wheat. I believe this price too high to prevent the return to the one-crop system of farming. I therefore suggest a 10 per cent reduction from this price, making the minimum price $1.40 per bushel for No. 2 red wheat, Chicago. At this price the Government corporation should stand ready to buy all the No. 2 red wheat offered, and other grades at the market difference. While this price will guarantee but very little, if any, profit to the producer, it will, with normal yields, guarantee him the cost of production and it will not be sufficiently high to encourage an abnormal production for the Government corporation to carry.

Then require the President or the Secretary of Agriculture to declare an embargo on the importation of wheat whenever the price at this central market drops below the 10-year average of $1.56 per bushel, and, by giving the consumer the benefit of a world market whenever the price of our central market is above the 10-year average price, we will have stabilized the price of flour for the consumer. This variation of 16 cents, or 10 per cent on the 10-year average price, will, usually, if not always, take care of the variation in yield and the carrying expense from the time of threshing until the grain is needed for consumption, protecting the farmers who must sell and encouraging those to carry their own grain who need not sell. Because if the price is at the minimum and importation is absolutely shut off until the price advances 16 cents, the farmer with the aid of his banker will carry his own grain on his own farm in his own granary, where it should be carried. The banker is perfectly safe in lending as much as $1 per bushel on this grade of wheat with which the farmer can pay his threshing and other pressing obligations.

At the central market the average price shall be newly determined yearly by taking the average of the 10 years last past. We should establish a minimum 10 per cent below this average price. The average wheat prices for the past 10 years are as follows:

No. 2 red wheat, Chicago, $1.56 per bushel.

No. 1 northern, Minneapolis, $1.61 per bushel, making the minimum prices.

No. 2 red wheat, Chicago, $1.40 per bushel.

No. 1 northern, Minneapolis, $1.45 per bushel.

It will be noted that the hard spring wheat brings a premium of 5 cents per bushel over the winter wheat on account of the superior quality. From the above averages there will be a decided reduction as we get away from the war-time prices, which will encourage the farmers to adopt greater diversification methods of farming which will tend to hold up the wheat price as a supply and demand proposition.

To prevent an increased production, this guaranteed minimum price should be reduced double the percentage that the 10-year average acreage is increased. The farmers should be advised of this from the first and before seeding. Thus if the winter wheat acreage is increased 2 per cent over the 10-year average, the minimum price will be reduced 4 per cent, making it $1.34½ at Chicago in place of

$1.40, and if the spring wheat acreage be increased 3 per cent the minimum price will be reduced 6 per cent, making it $1.36 at Minneapolis in place of $1.45.

The Government corporation should also refuse to sell any wheat once bought within the United States except at an advance of 5 per cent, or 7 cents per bushel above the purchase price. Thus, so long as there is a domestic demand the millers would buy the wheat in preference to letting the Government corporation buy it, and then they have to pay an advance of 7 cents per bushel to get it. In this way the exportable surplus would be determined by the amount of wheat bought by the corporation and not resold.

When the Government corporation acquires a supply of wheat that can not be disposed of without some loss, it may be used to develop a market in South America, where there is, according to Senator McCormick, of Illinois, the possibility of selling our entire surplus to countries from which we import coffee, sugar, sisal, rubber, chocolate, nitrates, etc., and as a last resort it can be sold on the world market and the loss on the export surplus charged against the succeeding crop, instead of letting the price of the surplus determine the price on the entire crop which is bankrupting these farmers.

It was said "wheat would win the war" and as the seers now tell us another world war is pending is it not well to maintain our wheat producers and thus be prepared with food as well as to be prepared with an army, navy, battleships and airplanes?

I am therefore convinced that if some such system of stabilized prices can be furnished the producers, as a bed rock they will construct thereon a foundation of agriculture that will support a superstructure of prosperity the like of which this country has seldom if ever known.

The CHAIRMAN. You would not expect to sell a surplus of wheat in South America?

Mr. PAGE. With regard to that, I am quoting from an article appearing in the Saturday Evening Post on May 26, 1923, entitled "New markets for old," by Medill McCormick, of Illinois, in which he says there is a possibility of developing a market in Brazil, Venezuela, Colombia, and Chile.

The CHAIRMAN. That is new to me. I am not prepared to deny it except that we all know that South America is one of the greatest exporting wheat centers of the world.

Mr. PAGE. Yes, but Senator McCormick in his article points out that Argentine wheat is selling and is sold long before it is produced to England; they buy their cutlery, their machinery, and borrow their money from England and their wheat is contracted to England long before it is ever produced.

The CHAIRMAN. It seems to me so reasonable that if they could get more for their wheat in South America than in Liverpool they would sell it at home? I would about as soon expect to sell the wheat in Canada as I would in South America. I may be wrong.

Senator RANSDELL. The question is raised.

Mr. PAGE. The article I have in mind was published in the Saturday Evening Post on May 26, 1923, by Senator McCormick, who says in this article that until the United States Shipping Board put on boats running direct from New York to Rio de Janeiro and Buenos Aires it was impossible to get a good boat to those ports unless you went to London and Liverpool and back; those were the trade routes; they

ran direct from Liverpool and London to Buenos Aires and to those points. He says in this article that if we develop a market in South America similar to what we developed in Cuba we would be surprised at the results attained in years to come.

The CHAIRMAN. That leads me to think of an argument in favor of the other bill, because that provides for putting these ships into use. This corporation set up in the other bill would be able, if there is such a thing, to send the surplus products here to South America because they could use the ships in any route they wanted to.

Senator RANSDELL. The people of Mexico and Central America and the West Indies must eat a lot of wheat they do not raise, and the people in Colombia, Venezuela, Chile, and Peru must eat wheat. It looks as though we might be able to compete successfully with the Argentine wheat.

Mr. PAGE. Senator McCormick says in his article that the surplus population from Europe that formerly came to this country is going largely to Brazil. They are encouraging the possibility of developing a market and supplying these people with wheat and that possibility is very great and they are building it up and developing it. If we develop a market in South America, the same as we developed in Cuba, it will provide for the sale of our surplus for years to come. I will be very glad to look up a copy of that Post and give it to you if you would like it.

The CHAIRMAN. I would like to have it.

Senator RANSDELL. Let him attach it to his testimony if he can find a copy.

Mr. PAGE. If I can get an extra copy I will be glad to get copies for you, gentlemen.

The CHAIRMAN. Make it a part of your testimony and we can all read it. Is that all?

Mr. PAGE. I think so, except I might add this: I talked with Mr. Murphy, of Wheaton, Minn., and he suggested that this plan of a minimum price be incorporated in one or the other of these bills, and that that would go quite a way toward satisfying the grain trade, because so long as a minimum was established at which the Government corporation would enter the market, so long as the price was above that minimum, they are left free to handle the market the same as before.

Senator NORBECK. And protect the grain trade against loss? But one of the objections he said that had been made to the bill was that it would stagnate their business.

NEW MARKETS FOR OLD.

[By Medill McCormick, Senator from Illinois.]

New markets for old! New markets for old, or no expanding markets at all for the unsold surplus of American goods. If there be thousands of Americans who still cherish the hope—nay, the belief—that some economic alchemy, some political formula may regenerate and restore continental Europe in a period of months, not so the British. They know continental Europe better than we do. The few miles of the Channel, not the many leagues of the Atlantic, separate them from its shores. For generations they have been the world's bankers, manufacturers, merchants, and mariners. Wise old John Bull, patient, persistent, taught by experience, prudent and bold, after four years of fruitless struggle to appease the hates of continental Europe, and to subordinate political ambition and rivalry to inexorable economic need, has been compelled to decide that a decade or more must pass before continental Europe can find the stability and can recover the productivity necessary to make it a great market again.

John Bull's statesmen have learned this from their diplomats, as his merchants and bankers have learned it from their agents and branch managers in all the ports and marts of Europe from the Ægean to the Baltic. When I was in London there was nothing more interesting than the universal interest in the possible failure of the American Ship Subsidy Bill and the general determination to find in Asia and South America a market for the goods which can not be sold in continental Europe. The British have known for years, as the Germans had learned before the war, that you must link together diplomacy, trade, travel, and traffic. It was only the other day that I heard that the principal British firms interested in the export trade had decided to pool their foreign advertising, and to place the direction of their advertising abroad in the hands of the great international news agency of Reuter. For example, Reuter's News Agency in Buenos Aires, which reports the news of Argentina to England, will offer to sell the news of the world to the Prensa and the Nacion of Beunos Aires in competition with the American United Press or the American Associated Press, for a reasonable weekly or annual charge—and at the same time can offer the business managers of the two great newspapers a handsome sum for the advertising of British flour, or British shoes, or British machinery, or British clothing.

FORMIDABLE BRITISH COMPETITION.

Pretty stiff competition for the American press associations, that. In Buenos Aires there is a great department store, British owned, and a great British-owned hotel. The street-car lines of the city are British and the steam railways of the country are British. There is a fine, strong, intelligent British commercial colony, with a keen sense of solidarity, collaborating with the British steamship companies and the great British banks. They are all united in a natural and laudable endeavor to do all the business which the Germans did before the war, and no less to do the business which we did two years ago but which we have begun to let slip. Now, what have I said of Buenos Aires is true of every commercial capital in South America, and indeed in the world. There was a time, before the war, when in many parts of the world, and especially in South America, we were at a definable disadvantage in competing with the Germans or with the British. The Germans to-day labor under a handicap upon which I need not expatiate. At the moment, the British have lost some of their old-time advantages. I do not know what the future may have in store, but to-day you may travel from New York down the east coast of South America to Rio de Janiero and Buenos Aires more rapidly and more comfortably than you can from London, whereas before the war an American merchant or an American ambassador bound from New York for those ports generally took ship first to England and thence for South America.

The four fine vessels of the Shipping Board which ply between New York and South American east-coast ports not only carry our merchants but afford swift and commodious passage for north-bound South American travelers, both business men and tourists on pleasure bent. The new ships provide for American shippers an express service. This is important. In building up a regular and considerable foreign trade it is not enough to have only a slow freight service for overseas customers.

The importer on the east coast in Brazil or Uruguay or Argentina, the importer on the west coast in Peru or Chile, must be able to receive not only his regular annual shipments by slow freight at cheap rates but, when necessity arises, must be able to send urgent supplemental orders by cable and have them promptly filled by express steamships. For example, he can not be expected to do a great part of his business with American exporters who ship, and who are able to ship only, by slow freight, and then in time of necessity call upon British exporters to accommodate him with small orders of goods peremptorily and promptly expedited from Liverpool or Southampton by fast British steamships. We must have fast steamers to South America if we are to have a market in South America. The American who, before the war, sought to export to South America manufactures or foodstuffs depended, and had to depend, very largely on the services of British ships, British cables, British agents, and British banks, with some little assistance from German lines and German agencies. To-day, thanks to the Shipping Board, there is a first-class American steamship service to both coasts of South America. Thanks to the all-American cables, there is an almost all-American telegraphic communication with all South America. To-day there are in South America 35 branches of American banks.

I shall be driven to statistics to make it plain that the great market for the next 10 to 20 years lies in the Republics to the south of us. The population of our Latin-American neighbors is between 80,000,000 and 90,000,000. The population of the Republics which border the Caribbean Sea and the Gulf of Mexico, of which the shores are within 60 hours' sail from our southern ports, is over 30,000,000. The population of the three prosperous progressive States, of which the shores are washed by the Atlantic, is over 40,000,000. Their population has doubled in 20 years, and so great is their area, and so vast are their natural riches, that probably it will double again in another 20 years. In an economic sense their resources on the whole are complementary to ours. They produce and export a great deal that we can not produce and must buy abroad, and we produce and can sell abroad what they can not manufacture to-day and must buy from across seas.

POSSIBILITIES OF SOUTH AMERICAN TRADE.

The possibilities of this exchange are beyond the comprehension of those who have not studied it. For example, a year or two ago the United States sold to 3,000,000 people in the little Republic of Cuba as much as they sold to 40,000,000 people in France. The Cuban market has grown in 20 years not only actually but especially for us. I very well remember that when my wife and I were in Habana for the first time, almost exactly 20 years ago, I met a friend who is a conspicious American shoe manufacturer, and asked him if he were there to find a shoe agency in the new Republic, of which Leonard Wood had ordered the affairs and the security of which had been guaranteed by the United States.

"Not by a good deal," he said. "Come out on the sidewalk and look at the spike-pointed styles which are popular in this market. These people won't buy from us. The men, like the women, go to Paris for what they want."

It was last year during the debate on the tariff bill that I received from that shoe manufacturer a vehement letter protesting against any high tariff on imports from Cuba which would tend to injure one of the world's best markets for American shoes.

FLOUR SALES.

American capital has gone into Cuba; railways and highways have been built; so have sugar factories and hotels. The Cuban workman has learned to produce more and has earned higher wages, and in turn has bought more to eat, to wear, and to furnish his house. The Cubans buy from us 10 times as much per capita as, for example, do the English. If the people of the dozen Latin-American republics, of which the shores are washed by the Caribbean Sea and the Gulf of Mexico, bought from us half as much per capita as do the Cubans, we should do as large an export business in the Caribbean basin alone as we do with all Continental Europe.

I have not been able to make a comparison of the value of German exports to South America to-day with those of the last year before the war, because German values before the war were computed in terms of gold marks, while to-day they are computed in unintelligible terms of paper. But at all events, I note that in quantity German exports to Argentina before the war amounted to six times as much as they do to-day, those to Brazil seven times as much, and those to Chile a 100 times as much as they do to-day.

These German exports included barbed ware, iron pipe, dynamos, motors, cement, print paper, motor cars, pianos, stockings and cotton clothing. I had supposed before I began to study the question in detail that of course all South America ate bread made from Argentine flour, but I found that 65 per cent of flour sold to the northern two-thirds of Latin America was shipped from the United States, and that in that field Vanada, not Argentina, was our particular competitor. You have only to look at the map and the trade routes to understand why this is so. Ships which go down the west coast to bring back Chilean nitrates and copper can carry down American flour and American manufactures, and ships which go down the east coast to get Brazilian coffee or Argentine hides can carry down American manufactures and American flour.

But there is another factor at play. In the old days South America borrowed chiefly in London and Paris, and sometimes in Berlin and Amsterdam. Now it borrows chiefly in America, and sometimes in London. It borrows in America to pay off old loans falling due, for new enterprises like public works and railways. The material which enters into the construction of railways and public works, the engineers and contractors engaged in their construction, are generally found in the country which supplies the capital. It is no wonder then that the rolling stock of the Argentine railways is British, while that of the Brazilian railways is American.

BORROWINGS.

It is interesting to review any week's sale of foreign bonds in the American bond market. If you exclude Scandinavia and Holland, the comparison between the prices of Latin-American bonds with those of the countries of Continental Europe is striking. Who would have thought that the bonds of the little Haitian and Dominican republics and the bonds of Bolivia and of the city of Rio de Janeiro would sell for more, day by day, than bonds of the French Republic, of the Serb-Croat-Slovene State, or of the city of Lyons? How many years ago would an investor have preferred the securities of a Brazilian railway to that of a French railway like the P. L. M.? The investor will do well to study the average prices of the bonds of European and Latin-American governments. Latin-American bond prices are better than European. People think they are safer.

But there are other things for him to bear in mind. The governments of continental Europe not only owe the Government of the United States some $7,000,000,000 which they evince little ability or intention to pay, but continental European governments, firms, or individuals have borrowed in the American money market, since the signing of the armistice, an estimated $7,000,000,000 more. It is noticeable that during the past six or eight months there has been a falling off in the flotations of European securities in New York, although we are still taking South American bonds. During the past two years, according to the figures of the Department of Commerce, there have been more Latin-American than European securities underwritten in New York.

We have all the gold that we can afford to take—half of the gold in the world. We have lent Europe all that we can prudently lend her, under present conditions, and inevitably our exports to Europe are falling to a figure which can be nearly balanced by our imports. Let me tax the reader with some statistics which must be borne in mind if the present and future condition of American agriculture is to be understood and if American business and American Government are to unite for the future development of our export trade and for the assurance of our permanent prosperity. Now mark you, during the five years before the Great War American exports averaged almost exactly $2,000,000,000 a year. The annual trade balance in our favor averaged $400,000,000 a year. In the bonanza year of 1919 our exports amounted almost to $8,000,000,000, and exceeded our imports by $4,000,000,000. This astonishing, abnormal, and really unhealthy export boom could not last. It was paid for in credits granted to Europe, by gold and heirlooms. Last year our exports were just short of $4,000,000,000—twice our pre-war exports—and the trade balance in our favor was a fraction over $700,000,000. Plainly, we are returning toward the normal balance between exports and imports. The value of foodstuffs exported in 1913 was about $200,000,000; in 1921, about $700,000,000; and in 1922, something less than $500,000,000. Note, then, that we exported in 1913, 194,000,000 bushels; in 1921, 470,000,000 bushels; and in 1922, 425,000,000 bushels of grain. There was a much greater difference between the value of the grain exports of 1921 and 1922 than there was between the amount of grain exported in the two years. We are still exporting vastly more than we did before the war, although less than during the export boom.

There are a few more figures which you must bear in mind. The British Empire, including the United Kingdon, India, the Dominions, and the Crown Colonies, buys about one-third of all that we sell abroad; continental Europe buys a little more than one-quarter of all that we sell abroad; Latin America buys between 10 and 15 per cent of what we sell abroad, and so do China and Japan combined. Why, then, do the few men who have been studying the problem intensively for the past few months insist that Latin America offers the world in general, and the United States in particular, the market of the future? Continental Europe, in the judgment of those who have seen it and studied it without bias, can not recover for a decade; not because it was so wrecked by war, but because of the hatreds and the rivalries of the peoples and the governments, and because the trade restrictions imposed through the multitude of new frontiers block recovery. Asia is a continent with a past. Its crowded and impoverished millions buy enough upon which to live and no more. South America is a country with a future. Its population has doubled within the past 20 years and will double again during the next 20 years. If you will compare the immigration to the United States since the enactment of our restrictive laws you will see that we have shut out

a million European immigrants a year, who must go to South America. The increase of the population in South America, the investment of capital, the building of public works, the development of farms and plantations—these all must result in a great increase in the consumption of foodstuffs, wearing apparel, furniture, building materials, and luxuries by its fast-growing populations. South America to-day takes from us twice as much goods as it did before the war. But more than that, let me ask you to look at a little table comparing the exports from the United States to Cuba and Porto Rico—to which American capital has gone and which have felt the quickening touch of American enterprise—and the exports to Colombia and Venezuela, which lie just beyond, across the Caribbean Sea:

Exports of merchandise from the United States to Cuba, Porto Rico, Venezuela, and Colombia for 1900, 1910, and 1922.

Year.	Cuba.		Porto Rico.		Venezuela.		Colombia.	
	Total.	Per capita.	Total.	Per capita.	Total.	Per capita.	Total.	Per capita.
1900.....	$26,513,400	$17.67	$4,640,449	$4.64	$2,452,757	$1.22	$2,710,688	$0.60
1910.....	52,858,758	26.43	26,478,106	24.07	2,797,210	1.00	3,979,886	.80
1922.....	124,148,536	41.38	57,968,112	44.59	8,508,574	2.83	19,564,017	3.26

We are starting out to spend about $50,000,000 on rivers and harbors, and $250,000 a year for the development of our trade with South America. How much do you think ought to be spent on a national sales force in the potentially richest market in the world except our own? If the peoples of the South American countries bought from us one-half, one-third, or even one-quarter as much per capita as do the Cubans, there would be no American export problem for many a long day. The surplus of American manufactures and foodstuffs which the armed rivals of old Europe may be unable to buy would be sold to the other American peoples—peoples like ourselves, peaceful and republican. It is time that the administration, Congress, the leaders of labor, and the leaders of the manufacturers and the farmers of this country should bestir themselves to the end that Government and private enterprise may cooperate to meet British competition in South America, and to develop without delay the only rich and secure market left to us in the world.

(Thereupon, at 12 o'clock noon an adjournment was taken until to-morrow, Friday, February 15, 1924.)

PURCHASE AND SALE OF FARM PRODUCTS.

FRIDAY, FEBRUARY 15, 1924.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m. in room 326, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), McNary, Harrison, Ralston, Gooding, and Capper.

STATEMENT OF C. H. HYDE, ALVA, OKLA.

Mr. HYDE. I live near Alva, Wood County, in the northwestern part of Oklahoma. I am a farmer and have lived on a farm all my life. I have resided on a farm in Oklahoma since the country was opened up to settlement in 1893. I have sown wheat in Woods County every year, beginning with 80 acres in 1894. For probably 20 years I have averaged 500 acres of wheat a year.

I have been a member of the Oklahoma Farmers' Union, the largest farm organization in Oklahoma, for many years and am now and have been for the past six years vice president of the union.

In 1920 I was chosen a member of the committee of 17 to work out a grain-marketing plan by J. R. Howard and served on the committee nearly six months and helped perfect the plan adopted by the United States Grain Growers at Chicago in March 1921. I was elected vice president of the United States Grain Growers at the meeting held in Chicago in March, 1921, where about 500 delegates were present, elected by the largest farm organizations in the States considered as grain-growing States. I am now a member of the Oklahoma Wheat Growers' Association. As the farmer member of the Oklahoma Council of Defense during the war, and since then as well as before, I have traveled over the State, especially the western part of the State, and I believe I have a fair knowledge of the actual conditions among the farmers, especially the wheat farmers.

It is the western part of Oklahoma, more particularly toward the northwest part, that is usually considered the Wheat Belt.

In 1910 the Federal census gives but one county in what was formerly the Indian Territory an acreage of over 5,000 acres of wheat, and that is Delaware County. The total acreage in Oklahoma in 1909 was 1,169,428 acres, with a yield of 14,833,000 bushels, but there were 12 counties in Oklahoma in 1909 with an average in excess of 50,000 acres per county, being the following counties: Alfalfa,

Beaver, Blaine, Garfield, Grant, Kay, Kingfisher, Woods, Ellis, Harper, Texas, and Noble.

In 1919, by the Federal census, only one county—Grady—in what was formerly Indian Territory had over 50,000 acres of wheat, and only nine counties had over 25,000 acres of wheat in the eastern part of the State, those counties being Craig, Delaware, Mayes, Nowata, Ottawa, Osage, Rogers, Tulsa, and Wagoner.

In 1919, three counties, Alfalfa, Frant, and Garfield each had over 250,000 acres of wheat, while 15 counties in the eastern part of the State, Beaver, Blaine, Canadian, Custer, Harper, Kay, Kingfisher, Kiowa, Major, Noble, Texas, Tillman, Washita, Woods, and Woodward, had over 100,000 acres of wheat. The acreage of wheat in Oklahoma in 1919 was 4,704,280 acres with a yield of 65,761,483 bushels.

In 1890 all farmers in Oklahoma were free of mortgage.

In 1900, 9.2 per cent of the farmers were mortgaged.

In 1910, 23.5 per cent of the farmers were mortgaged, while in 1920, 60.6 per cent of the farms in Oklahoma operated by the owner carried a mortgage and the mortgage debts were 26.9 per cent of the value of the land and improvements. The value of the land at that time as rendered by the owners, which probably was too high, was probably twice what the land would sell for now.

The census returns show that between 1910 and 1920 farm lands in Oklahoma increased in value 122 per cent but that the mortgage indebtedness during the same time decreased 169 per cent, 47 per cent greater than the value of the land.

Senator HARRISON. The situation now is better or worse?

Mr. HYDE. It is worse. Mortgage company agents tell me that invariably the mortgage when it matures is expected to be added to, the mortgagees always want to add to it and to pay back with the addition the interest that has accrued.

I was supervisor of census for the eighth district in 1920, in the northwestern part of Oklahoma. More than half the wheat in Oklahoma is raised in the eighth district.

All of the farm reports from the farmers in that district made out by the 189 enumerators in that district from the figures given by the farmer himself, came through my office at Alva. I examined several thousand to note in particular the mortgage indebtedness. Invariably from the territory known as wheat territory, the mortgage indebtedness was greater in proportion to the value of the land and the number of farms free of mortgages was less in the Wheat Belt than it was in the land not adapted to the raising of wheat. I recall one congressional township in one of the best wheat counties in Oklahoma in which there was only one farm operated by the owner in the 155 quarter sections that was free of mortgage debt. I think that the chief reason for the mortgage debt is that the product raised by the farmer does not sell at the cost of production.

The CHAIRMAN. How many of these 144 were operated by the owners?

Mr. HYDE. Well, a large per cent of them.

More than 50 per cent of the farms in Oklahoma are operated by tenants. In estimating the cost of production, I have figured from the tenants' standpoint the following:

Listing	$1.25
Disking or ridge busting	.75
Harrowing	.50
For extra harrowing and disking	.40
Drilling	.75
Seed, about a bushel	1.00
Harvesting expense for man hire	2.00
Board for man	.50
Horses and their board	1.00
Repairs and replacement machinery	.50
Hail insurance	.80
Threshing 12 bushels, at 15 cents	1.80
Hauling 1 cent a mile, average 5 miles	.60
Total	11.85

The tenant will have for his labor and expense 8 bushels of wheat that cost him $1.48 per bushel, worth 90 cents, and his loss is 58 cents per bushel.

The landlord has for his interest on investment and taxes, 4 bushels of wheat per acre. In the Wheat Belt probably 100 acres is a good average in wheat so the owner of the wheat farm has 400 bushels of wheat to pay interest on the investment in his farm and will average around $8,000 at 6 per cent, or $480, to pay the taxes on his farm, which will average probably $120, and to keep his buildings in repairs not less than $25. He may be able to get $1.50 per acre for the 60 acres of pasturage, $90; the 400 bushels of what will not average, at the time of harvest, more than $360, a loss to him of $175. With a surplus of what in the United States the price the farmer gets for his wheat usually is the Liverpool price, less the transportation and commission.

If the transportation rates go up 5 cents a bushel, the farmer receives 5 cents a bushel less for his wheat. If the transportation charges should be lowered 10 cents a bushel, the farmer would receive 10 cents a bushel more for his wheat.

I have lived on the farm west of Alva 30 years and know of but one farm still owned by the original homesteader that is free of mortgage, but do know, in my neighborhood, of 14 farms still owned by the original homesteaders that are carrying a mortgage and do know of several farms that the original homesteaders had to sell to avoid foreclosure of mortgage. One can travel through the Wheat Belt in Oklahoma sometimes for days in a car and not see a new farmhouse or farm barn. A very small per cent of the farmhouses and barns have been painted in the last few years because the farmer does not have the money with which to buy the paint.

I have talked with lumbermen in many of the towns, and they tell me that very, very seldom do they sell any considerable amount of lumber to a farmer. Their trade is nearly altogether town trade. I have talked to many agents for mortgage companies who report that a large per cent of the mortgages that have matured during 1923, the farmer has asked for an increase in the mortgage to cover some expense he has been able to meet by reason of his product selling for less than the cost of production.

In using the expression "cost of production," I mean the exchangeable value of the farmer's products rather than the price that they sell at. The exchangeable value is distinguishable from the price. Of course, the exchangeable value is the power which an object possesses of procuring for us any object whatever. The second, price is the power that it has to procure for us one particular object, money. To illustrate: Wheat in 1913 and 1914 was selling for about 75 cents. Now the price is about 90 cents. In 1913 and 1914 250 bushels of wheat would buy a 12-foot header. Now with wheat it will take 437 bushels, while during the war—1918, 1919—the same machine could be bought for 187 bushels of wheat and an 8-foot wheat binder, 1913–14, could be bought for 230 bushels of wheat. Now it will take 276 bushels of wheat, and in 1918 and 1919 could be bought for 133 bushels of wheat. A wheat drill that could be bought in 1913 and 1914 for 130 bushels of wheat will now cost 155, while in 1918, 70 bushels of wheat would buy it.

The Federal census gives the value of the crops in Oklahoma in 1920 at $547,000,000. Last year we had practically the same volume in bushels and tons and it was only $208,000,000, or 38 per cent of the 1919 value.

The farmers' overhead taxes were high, his machinery costs were higher, and the freight rates were a great deal higher than they were in 1919. There are approximately 192,000 farmers in Oklahoma. Taking the estimate of the Department of Agriculture with our State department of agriculture it gives the average gross income to the farmers in Oklahoma last year of $1,064. Out of this, the farmer must pay his taxes, the help that he hires as in threshing, the interest on his mortgage, which on the average farm is $2,100, at an average price of 6 per cent, or $126, clothe and feed his family; the repair bills for machinery are more than twice as high as they were 10 years ago; all this he has for his work and the interest on the investment which on the average farm in Oklahoma is $8,649.

The farmers in Oklahoma are pushing their cooperative marketing associations, associations that are and will return to the farmer all that they can get for the product with the least expense for marketing; organizations that employ skilled traffic managers that the product may be shipped toward the consumer at the least possible expense, but with this saving they can not get cost of production.

On August 5, 1922, there was a reduction made on the rate to Texas points. When this reduction went into effect immediately the price of wheat to the farmer all over the northern part of Oklahoma, the Wheat Belt, advanced nearly 5 cents per bushel. It is not the contention of the farmers that they should receive any service at less than the cost of the service, but they do contend what they have in farms is entitled to as much consideration as any other investment and that their labor should receive from society the same consideration and the same remuneration as any other labor.

I believe that the statements I am making are conservative.

To verify my own observation, I sent letters to every clerk in the district courts of Oklahoma, asking the number of foreclosures on farm loans in the years 1921 and 1923. I have reports from most of them. The first report indicates that there were more than three times as many foreclosures in the first 10 months of 1923 as there were in 1919, with a considerable increase in 1921 over 1919.

I sent letters to every county treasurer in Oklahoma, asking the number of farms advertised for sale for delinquent taxes, and from their reports I believe there are twice as many farms advertised for tax sale, to sell to-day, as there were in 1919.

To find the financial condition of the farmer, I sent more than 100 letters to the farmers in the western and northwestern Wheat Belt of Oklahoma, asking them the number of farms that had sold within the 5 mile radius of their places, during the last four years, if any, and and the selling price as compared with that of 1919. I asked whether there has been any news farmhouses or barns sold in the last four years within a 5-mile radius of their places, and whether the building were kept in repair and painted. I have reports and letters that indicate that where a farm does sell, other than by forced sale, it sells for not over 60 per cent of what it would have brought in 1919, and practically no new farmhouses or barns erected, and they are not kept painted for lack of funds.

There were 91 reports in answer to my questionnaire to farmers. In the question, "Has any farmer sold his farm within five miles of your place within the last four years?" 76 answer "yes" and 13 answered "no." To the question "How many?" the answer was 347 farms. To the question, "How did the price compare with 1919?" 3 answered 50 per cent less, 30 answered less than 70 per cent of the 1919 value, 18 answered less than 85 per cent, and 4 answered over 85 per cent.

To the question, "Were any of them for sale?" 42 replied that 156 of them were forced sales.

To the question, "Have there been any new farmhouses or barns built within 5-mile radius of your place within the last four years, and how many?" 28 reported none, 58 reported 175 new houses and barns.

To the question, "Did the farmer pay for the improvements out of the sale of his products or through his mortgage?" 58 replied that they were built by a mortgage, 30 from the sale of oil leases of the land, 26 from crops, and 10 from insurance. The balance did not know where they got the money. Eighty-six reported on whether or not the farmer kept his buildings painted; 79 said "No," three said "Yes," and four said "Partially."

The estimate of all of them as to the value of land now as compared with 1919 was that it had depreciated within 50 to 75 per cent of the 1919 value. There had been 99 State bank failures in the last four years in Oklahoma, 5 during the first 23 days in January.

Senator HARRISON. How is your immediate section around Alva? Is it worse than in other parts of the State?

Mr. HYDE. No; it is the same as in the other parts of the Wheat Belt. We have had no banks fail in the town and only one in the county, but throughout the Wheat Belt it is worse than in the cotton States.

The farmers are joining the wheat growers' cooperative associations. More than 25 per cent of the wheat sold in Oklahoma this year will be sold by such an association. They charge the grower only the cost of handling, including the freight. The freight on all wheat in Oklahoma is charged the rate of Galveston, from the point of origin. If the wheat is sold at a point where the rate is less than the Galveston rate, the difference in the freight rate is divided among

11 wheat growers that are members of the wheat growers' association, according to the number of bushels the grower has turned into the association to sell.

I have given the increase in mortgage indebtedness above the returns increase in the value of the land. It is greater for Oklahoma than it is for the United States. In Oklahoma the increase in the value of land is 122 per cent; for the United States, 117 per cent; this is for the 10-year period, 1910 to 1920. The increase in mortgage indebtedness in Oklahoma is 169 per cent, while for the United States it is 131 per cent; 14 per cent for the United States, 47 per cent for Oklahoma. I have the census on the mortgage indebtedness for the northwestern part of the State, where I live, and the mortgage indebtedness shows an increase there equal to the balance of Oklahoma.

The wheat price is very little higher now to the grower than it was in 1914. The freight rate is higher now than it was when wheat was selling twice as high as it is now.

The farmers contend that a rate may be reasonable on wheat when it sells for $2, but the same rate would be unreasonable with wheat selling at 80 to 90 cents a bushel. I remember in 1914 I had over 500 acres of wheat that averaged 20 bushels to the acre. I sold most of the wheat at 65 cents a bushel, and that gave me a profit. My costs were not half what they are now.

The Federal census also shows that among the farmers in Oklahoma the age average is greater than it was 10 years ago. Oklahoma was settled largely by young men; the land was given to them in what was formerly Oklahoma Territory, but the land is now mortgaged for more than the improvements are all worth. Some of its productive ability is gone. The average age of the farmer is greater. He has worked the best he could. He sees his mortgage indebtedness increase through no fault of his own. He is joining cooperative institutuons to reduce his marketing expense, but still conducts his business at a loss.

Now, as to the merits of the two bills before your committee for consideration—the Norris-Sinclair bill and the McNary-Haugen bill.

The Norris-Sinclair bill would help the farmer by having a Government export corporation handle the surplus at cost. It is the surplus that fixes the price; not what the farmer gets for his wheat. The tariff does not benefit him one bit. If the export corporation under the Norris-Sinclair bill pays for wheat in the United States more than it is worth to export, the Government absorbs the loss. A dangerous precedent, it seems to me, for the Government to establish is this.

Under the McNary-Haugen bill,the exchange value, not the price, but the exchange value of wheat, is determined by a board that we believe is able to determine that value and the growers themselves absorb the loss on the exportable surplus. In other words, if the growers raise more wheat than our domestic market will consume at an exchange value below the cost of production, they themselves penalize or tax themselves and their excess acreage or production.

To put before you our financial conditions, I have here a compiled statement of the banks, and in considering this, remember, please, that we have in Oklahoma, if I am correctly informed, in the last 10 years, led every other State in the production of oil, except one,

and that was last year, and that was the State of California also, and it had a little more oil than we, so we did not depend altogether on agriculture, and in spite of that our bank deposits have gone down. These figures that I am about to quote are taken from the bank commissioner's report.

In 1919 bank deposits amounted to $165,660,000, in 1920 the deposits were $148,032,000, in 1921 they were $97,501,000, in 1922 they were $74,574,000, and in 1923 they were $68,531,000. So, with the oil money that comes in there, our deposits have gone down from $165,000,000 to $68,000,000.

Our capital stock and surplus has gone down equally, for in 1919 the amount of that was $15,626,000, in 1920 it was $18,721,000, in 1921 it was $14,833,000, in 1922 it was $11,153,000, and in 1923 it was $9,770,000.

Senator HARRISON. That is for what place?

Mr. HYDE. That is the Oklahoma banks.

Senator HARRISON. Does that include all the banks of Oklahoma?

Mr. HYDE. All the State banks.

Senator HARRISON. The State banks?

Mr. HYDE. Yes; all the State banks. There have been 99 bank failures in four years, and there were 5 in the first 22 days of January of this year.

The National Board of Farm Organizations at their annual conference in this city on the 12th and 13th of February went on record as indorsing the idea in the McNary-Haugen bill. The following is a part of their resolution:

> To create temporary agencies through and by which the exportable surplus of farm products may be efficiently marketed abroad under such terms as to return the domestic prices for such products to their pre-war purchasing power with a provision for pooling or some other provision by which the loss incurred in marketing such surplus may be distributed equitably to all producers.
>
> To cause the Government of the United States to use all expedient measures not inconsistent with national policies to restore economic order in the countries that are or can be made to be the purchasers of our surplus farm crops.
>
> To permanently enable farmers to act together in associations to prepare for market and to market in both domestic and foreign markets the farm products of the United States in such a way that the domestic prices may not be unduly depressed by reason of surplus crops but so that the exportable surplus may be marketed abroad to the best possible advantage with the resulting losses, if any, equitably distributed among producers, and this generally along the line of what is known as the pooling plan.

The National Board of Farm Organizations represents more farmers than any other group. Seventeen State and National associations are associated, and their rule is that every organization must be satisfied, and it is not a majority rule.

If there are any questions that the committee would like to ask me, I would be glad to answer them.

The CHAIRMAN. Are there any?

I think that is all, Mr. Hyde.

Mr. HYDE. I thank you gentlemen for this opportunity of coming before you.

STATEMENT OF S. R. THOMPSON, FARMER, OF PENDLETON, OREG.

Senator McNARY. Are you affiliated with any farm organizations?

Mr. THOMPSON. I belong to the Farm Bureau, or rather did some time ago; I am president of the Oregon Export League at the present time, which was organized to get back of this legislation.

Senator McNARY. Senate bill No. 2012?

Mr. THOMPSON. Yes; and we have an organization now that we have just started recently, about three weeks ago, and we have an organization numbering about 7,000 people.

Senator CAPPER. That is growing pretty fast?

Mr. THOMPSON. Yes; very fast, and in our community we have had a wonderful opportunity of getting an explanation of the bill before the business men and the farmers. We have the bankers and the business men back of us; they have joined the organization. There is a small fee attached to the membership.

The CHAIRMAN. How much is the fee?

Mr. THOMPSON. One dollar for the business man and 50 cents for other landowners. I could have brought the membership list down if you would like it.

The CHAIRMAN. I do not think that will be necessary.

Mr. THOMPSON. It is the general sentiment there that something must be done for the farmer. The farmer must have a profit. He has gone three years without a profit and during those three years he has continually sustained a loss. It is the general sentiment that the farmer must have more for his product if he continues or he will have to buy the manufactured product cheaper. Property in the section to which I refer to raises wheat, and it is a very high yield section and raises wheat probably at as low a cost as any other section in the United States, but at quite a loss. It is strictly a wheat country and there is no chance for diversification. It is impossible to diversify, as the general sentiment is out there that the farmer does not want more money; they have borrowed more money now then they should have borrowed. It is not a question of that, but it is a question of making a profit with which to pay off their present indebtedness, and this bill seems to have met with general favor with all the farmers as soon as they understood it thoroughly, and also the bankers; we have the big financial institutions of the country back of it. All the Portland institutions excepting one are behind it.

Senator CAPPER. They are all for it because they think it will raise the price of wheat?

Mr. THOMPSON. Not altogether, Senator; I think they are behind it because they think it is equitable legislation. The miller in our country is supporting us. The grain dealer has, in a way, been fighting the bill to a certain extent and has withdrawn already quite a little of his opposition. That is about all the opposition we ever encountered, the opposition of the grain exporter.

The CHAIRMAN. Has there been any effort made in organizing this organization to set up for its object the passage of this bill, or to get the laboring class behind the bill?

Mr. THOMPSON. A good many of the laboring men have joined the organization and, in fact, the local trades council in Pendleton indorsed the bill, and we feel, from looking the situation over, that at

the present time there is only 1⅝ cents value of wheat in a 16-ounce loaf of bread, and the loaf is sold for 10 cents. We feel that the increase in the price of wheat should not increase the price of bread, and if at all it would only amount to about fifty-six one hundredths of a cent.

The CHAIRMAN. That same argument, however, has always been used since I have been in public life whenever there has been attempted an increase in the cost of anything connected with production. It is particularly used in arguments when an effort is made to get a tariff on everything. They always say that the amount of the tariff, if added to the cost of the article, would be so small that nobody would notice it and that nobody would pay any attention to it. It is the same argument that is put forth when talk is made about increasing freight rates and everything of that kind, but when you put so many of these little things together then, in the aggregate, you get a big thing usually and the tendency, I think, is conceded to be that when you do add, a little something of that kind in the form of a tariff or increase in the cost of a commodity, that everyone who handles it passes it on to the next fellow, and when the consumer ultimately gets it it amounts to quite a good bit.

Mr. THOMPSON. Do you think that would hold true in the case of bread, the manufactured product now which the baker is selling at about $28 out of a barrel of flour that costs him $1.50?

The CHAIRMAN. I never can say in any case that it will be added. I know the practical result is that they do add it. They usually add more than it is, simply using the increase as an excuse to put up the price to the consumer. Here is a report here this morning which has just come out on the bread proposition that I think is quite illuminating. As I understand it, they claim that the profits of the retailers have so increased that there is practically a trust or a combination.

If you have nothing further that you wish to say, we will excuse you.

(The witness retired.)

The CHAIRMAN. Gentlemen, I have here a copy of the Tariff Board's report on wheat growing in the United States and Canada which was just issued yesterday and which covers the difference in cost of production between here and in Canada, and I think it ought to be submitted and it ought to be included in the printed report of these hearings. I have also here a report on the bread situation that I have just made reference to, and I think that also ought to go in. If there is no objection, I will direct the reporter to have these various reports included in the report of this particular hearing.

There being no objection, it is so ordered.

(The documents referred to are here printed in full, as follows:)

THE BREAD TRIBUTE.

[By Basil M. Manly, Director People's Legislative Service, former joint chairman National War Labor Board.]

Housewives and farmers, city folk and country folk, factory workers and farm workers, all have a common interest and a common basis for indignation and concern in the unconscionable discrepancy that exists between the price of wheat and the price of bread.

The facts set forth in this report indicate strongly that the present high price of bread is not only levying heavy tribute upon every man, woman, and child that eats the baker's product, but that this indefensibly high price of bread in

the United States is in large measure responsible for the deplorable condition of American wheat farmers.

The facts also demonstrate that this situation is not and will not be corrected by the operation of economic forces. The law of supply and demand does not operate in this field. The necessity for governmental action is obvious and imperative.

The year 1923 has been one of the most disastrous for the wheat farmer, but it has been one of the most prosperous for everyone who handled the wheat after it left the farmer. Many thousands of wheat farmers have been driven into bankruptcy and forced to abandon their homes. Yet bread users in America—and this means practically every man, woman, and child—are paying war-time prices for bread.

During recent months the price of wheat has fallen almost as low as it was in the depressed pre-war year 1913, and yet the people in American cities are paying 50, 75, and even 90 per cent more for bread than they did before the war. Viewed from another angle, the price of wheat is now less than half as great as it was in 1917, and yet the price of bread remains almost as high as during that year of war-time profiteering, when millers, jobbers, bakers, and retailers lined their pockets with gold.

If the price of bread was reduced in proportion to the fall in wheat since 1917, bread would now sell for 4.4 cents a pound. On the other hand, if wheat prices had been maintained as bread prices have been since 1917, wheat would now be selling in Minneapolis for $2 a bushel.

If any Government should levy taxes as oppressive as private industry now imposes on the bread of the American people, revolution would be inevitable.

SOME STARTLING STATISTICS.

Only a few figures are necessary to present a clear picture of the general situation. The pre-war year 1913 may be taken as a standard. In that year wheat on the farm sold for an average price of 79.4 cents per bushel, while flour at retail brought 3.3 cents per pound and bread 5.6 cents per pound retail. This year, in November, the last month for which complete figures are available, wheat sold for 92.3 cents per bushel on the farm, while flour at retail brought 4.6 cents and bread 8.7 cents per pound retail. That is, in 10 years since 1913 wheat has advanced in price 16 per cent, flour 39 per cent, and bread 55 per cent.

The price of flour has therefore increased more than twice as much as wheat, and the price of bread more than three times as much.

In this connection it should be stated that even before the war the price of bread in the United States was outrageously high as compared with other countries. It is an old adage of the baking trade that there is a good profit for the baker when the price of bread per pound is equal to the price of flour per pound. This arises out of the fact that because of the absorbed moisture a pound of flour produces a pound and a third of bread. The third of a pound excess is sufficient to enable the baker to pay his expenses and make a reasonable profit.

This is stated by Vernon Kellogg and Alonzo E. Taylor of the United States Food Administration in their work on "The food problem," as follows:

"Despite the fact that the price of grain was distinctly higher than the pre-war level, the cost of bread (in Germany) was maintained at practically the pre-war figure. The formula by which this was accomplished was one that had been worked out in Belgium by the American Relief Commission during the first year of the war, and runs to the effect that the price of bread per pound must not exceed the price of flour per pound."

As will be shown later, this is the rule to-day in England, where bread baked with American flour sells for the same price per pound as flour, and for less than half as much as the price in American cities located in the heart of the wheat belt.

As will be seen from the figures quoted above, the price of bread per pound in 1913 was 2.3 cents greater than even the retail price of flour. But this unjustifiably high margin has been increased until now in American cities bread is selling for 4.1 cents per pound more than the retail price of flour.

In other words, the present price of bread in the United States is twice as great as it should be. The loaf that sells to-day for 10 cents can and should be sold for 5 cents. A pound of bread is actually being sold in England to-day for 4 cents, after paying ocean freights and harbor charges on wheat from America, the Argentine, and Australia.

WAR BREAD AND PRE-WAR WHEAT.

President Coolidge, in his recent address to Congress, strongly denounced the existence of war taxes in times of peace. Against this view it may well be argued that a government is justified in continuing to levy war taxes until war debts are paid. But who can find justification for a government that placidly permits private industry to levy a toll as high or higher than it extorted under the alleged necessities of war upon the essential food of the poorest and weakest of the population?

In 1917 the United States was at war, and the world demand had forced the still uncontrolled price of wheat to heights never before known in America. Bread prices rose correspondingly. Since that time the American farmer has been deflated in the most colossal crash of property values ever known. But the bread profiteers have not been. On the contrary, the price of bread is to-day practically the same as it was in 1917.

Let us look at the figures. In September, 1917, the price of wheat on the farm was $2.10 per bushel, and bread was selling for 9.2 cents per loaf. In September, 1923, wheat had fallen to 93 cents a bushel but the bread price remained practically unchanged at 8.7 cents per pound. The price of bread had declined 5.4 per cent, but the price of wheat had dropped 55.6 per cent. The deflation of wheat is therefore 10 times as great as the deflation of bread.

On the basis of the present price of wheat, as compared with 1917, bread should be selling at 5 cents a loaf, while on the basis of present prices of bread, as compared with 1917, wheat should sell at $2 a bushel.

BRITISH BREAD AT HALF PRICE.

Before proceeding further in our analysis of the bread problem, it is well to forestall the idea that there may be some basis in the play of world-wide economic forces for this amazing difference in the price levels of bread and wheat. This may be accomplished most simply by a brief examination of the situation in England.

The Labor Gazette of the British Ministry of Labor shows that on November 1, 1923, the average price of bread in England was 8½d. for 4 pounds. This was a decrease of ½d. during the past 6 months, corresponding to the decline in wheat prices. At par 8½d. is equal to 17 cents in American money for 4 pounds, or 4¼ cents per pound. But at current rates of exchange—and the English must pay for American flour in dollars—1d. is equal to 1.83 cents. This brings the English retail price of bread in American currency to 3.9 cents per pound.

The Englishman, therefore, pays less than 4 cents for the same amount of bread for which the American pays nearly 9 cents.

The first explanation of this wide discrepancy that comes to mind is naturally the great difference in American and English wages. When we go beneath the surface, however, we find this largely offset by the widespread use of labor-saving devices in the United States. As a result the American labor cost is only half a cent a pound more than the English.

Some allowance should also be made for the fact that the Englishman, as a rule, buys his bread in 4-pound loaves, and thus saves the cost of handling. But even if we allow half a cent a pound to cover this item and half a cent for higher labor cost, the American still pays almost twice as much for his bread as the Englishman.

I have already pointed out that in England bread sells on the honest basis of the same price per pound as the price of flour. As a matter of fact, it is slightly less. Here are the figures. On November 1, 1923, according to the British Labor Gazette, the retail price of flour in England was 1s. 3d. for 7 pounds. At current rates of exchange, this is 3.93 cents per pound for flour, as compared with 3.90 cents per pound for bread.

The English bread is not Government subsidized, nor is the price artificially restricted by law. The English loaf is merely free from the burden of excessive profits and wasteful costs that are imposed upon American bread.

PIRATICAL PROFITEERING.

We have now gone far enough in our analysis to raise and attempt to answer the question, Who gets the money?

In a broad way, the answer is simple—the miller, the jobber, the baker, the retailer, and the railroad. Apparently everyone that handles wheat, flour, or bread—except the farmer—finds gold sticking to his fingers.

On page 43 of his report to President Coolidge on "The Wheat Situation," the Secretary of Agriculture displays, without explanation or comment, a diagram purporting to show the relative amounts and proportions of the selling price of a pound of bread received by each of the principal factors in its production and distribution—the farmer, the miller, the railroad, the baker, and the retailer.

The following figures extracted from that diagram can not for the reasons set forth below, be accepted to represent with entire accuracy the existing situation, but they are the best figures of the kind available and sufficient to indicate the relative shares received by each of the factors in 1913 and 1923:

Distribution of the retail price of a ½-pound loaf of bread in Washington, D. C.

[Compiled from report of Secretary of Agriculture on "The Wheat Situation," p. 43.]

	1913	1923
	Cents.	*Cents.*
Wheat growers' portion (amount of wheat required to mill standard patent flour for 16 ounces of bread)	1.17	1.47
Elevator margin	.05	.12
Freight charges (wheat to Minneapolis)	.11	.15
Milling margin	.42	[1] .48
Freight charges (flour, Minneapolis to Washington)	.17	.29
Materials other than flour	.38	[1] 1.25
Bakers' margin (manufacturing, delivery, and selling, administration, plant maintenance, profit, or loss)	2.03	3.24
Retailers' margin (labor, delivery, store maintenance, credit, profit, or loss)	1.12	2.00
Total	5.45	9.00

[1] These items are not in accordance with information from other sources. Present earnings of flour mills indicate a considerable increase in the milling margin over 1913. With reference to the "cost of other materials," it is inconceivable that the cost of these materials has increased more than 200 per cent unless a different bread formula is used. Of the principal "other materials" used in bread, condensed milk has increased only 32 per cent, sugar 110 per cent, and lard 21 per cent.

It may be observed, in the first place, regarding these figures that unless the formulas used at the two periods were widely different, it is impossible that there should have been an increase of 228 per cent in the item "cost of other materials." The use of different formulas for the two periods appears to be unjustifiable. The figures on the millers' margin are also open to question, as will be pointed out when we come to consider the profits of the milling corporations.

Overlooking these minor points, however, we may concentrate attention on the main point—the relatively insignificant cost of wheat in relation to the cost of bread. The wheat growers' portion of a 9-cent loaf in 1923 is only 1.47 cents as compared with 1.17 cents out of a 5½-cent loaf in 1913. The farmers' share of the bread price is 16 per cent now as compared with 21 per cent before the war.

With this somewhat unsatisfactory analysis of the component costs of a loaf of bread as a starting point, we may now proceed to a consideration of the profits realized in the production and distribution of bread.

THE MILLERS' PROFITS.

We come first to the millers. Unfortunately, most of the flour milling corporations do not publish their profits, perhaps because they have something to conceal. As a result, the reports available for 1922 and 1923 are fragmentary and do not reveal the true situation, except in the light of other data.

In 1919, however, in response to a Senate resolution, the Secretary of the Treasury was required to report the profits of American corporations which earned 15 per cent or more on their capital stock as revealed by their corporation and excess profits tax returns for the years 1916 and 1917. These figures were published in Senate Document 259—one of the most valuable reports ever printed. This official report shows that the milling corporations in both these years made profits that stagger the imagination. Unfortunately, under the secrecy clause of the revenue law, this report does not give the names of the companies; but a few figures are sufficient to show how these corporations fared while the soldiers were in the trenches, and to indicate their probable profits to-day.

Taking only the largest milling companies—those with capital stock of $300,000 and over—we find that they had net incomes in 1917 averaging 49.1 per cent of

their capital stock and ranging as high as 182 per cent. This is after the payment of manufacturing expenses, interest on borrowed capital, and liberal allowances for depreciation.

These figures may also be compared with those given in the report of the Federal Trade Commission on commercial wheat flour milling, which show that the average profit for 37 companies in 1916–17 was 38.4 per cent on an investment of $55,382,957, including money borrowed at low rates of interest.

These figures mean that the profits on flour during this war period were so great that the earnings of two or three years would have been sufficient to pay up all outstanding capital stock or retire the investment. In other words, the people of the United States paid for the entire business in two or three years of excess profits.

These are, however, average figures. When we look below the surface we discover profits that stagger the imagination. For example, the company bering the code number F–8–29, with a capital stock of $100,000, had a net income of $256,886, or 257 per cent on its capital stock in 1917 and 114 per cent in 1916. Now, it is quite true that this corporation claimed an investment of $455,056, but we may be quite sure that this so-called investment represented property purchased either with money borrowed at 6 or 7 per cent or, even more probably, with the excess profits of previous years. As a matter of fact, in the case of the majority of these industrial companies, it is notorious that their common stock was given as a bonus to bondholders or preferred stockholders, and did not represent a cent of actual investment.

Here are other examples from Senate Document No. 259 (pp. 89–93, and 365):

Flour milling companies, per cent of net income on capital stock.

	1917.	1916.
Code No. F–8–40	387.6	18.9
Code No. F–8–61	659.6	314.5
Code No. F–8–67	387.1	159.2
Code No. F–8–228	306.7	89.5
Code No. F–8–236	787.4	694.0
Code No. F–8–253	546.3	108.6
Code No. F–8–268	440.1	291.5
Code No. F–8–10 Sup	991.7	374.3
Code No. F–8–12 Sup	2,628.7	594.3
Code No. F–8–13 Sup	986.4	298.9

These 10 companies, whose identities are concealed by the secrecy clause of the income tax law, had profits ranging from a minimum of 306 per cent to a maximum of 2,628 per cent.

We may be quite sure that these profits are not exaggerated because they are the amounts reported by the corporations themselves as a basis for the payment of income and excess profits taxes. Judging from recent official exposures of war time tax dodging, we may be sure that in some cases at least even these unbelievable profits are understatements.

The report of the Federal Trade Commission on flour milling cited above shows how these profits were made. It points out (p. 87) that the average rate of profit per barrel of flour, after the payment of interest, increased from 14 cents in 1913–14 to 55 cents in 1916–17 and 65 cents in 1917–18.

The profit per barrel of flour in the two war years was more than 300 per cent greater than the pre-war profit, and because of the world-wide demand there were more barrels of flour on which to levy these excessive profits.

PRESENT PROFITS.

These figures on the war profits of the millers, which were supposed to be regulated by Mr. Hoover and the Food Administration, are not cited for the purpose of exposing war-time profiteering, but for the light they may throw on the probable present profits on flour.

It will be remembered that in 1917, when these exorbitant profits were earned, wheat was selling for twice its present price and flour was almost correspondingly high. Since that time the price of wheat has fallen more than the price of flour, leaving a larger margin for the miller. To be exact, the price of No. 1 northern wheat at Minneapolis had fallen in November of this year 52 per cent below the average for 1917, while the wholesale price of flour (standard patents), also at

Minneapolis, had fallen only 47 per cent. At the same time the price of bran, which the miller sells back to the farmer, had declined only 21 per cent.

All other things being equal, these facts mean that the milling companies should be making larger profits this year than they did in 1917. There is, however, a factor that may upset these calculations. The millers now claim that since 1917 the bakeries in many parts of the country have either combined into large corporations or have pooled their purchases. Through this consolidated purchasing power they have been able to extort from the millers very low prices for flour for commercial baking purposes, which has been estimated to represent between 40 and 50 per cent of the total sales. The ordinary consumer who buys flour retail does not, of course, share in these lower prices, but on the contrary is charged more to make up for the alleged extortion of the consolidated bakers.

Following is an extract from a letter which formulates the millers' charges against the bakers' trust:

"DECEMBER 15, 1923.

"It seems that the large bakers throughout the United States, or at least, somewhere between fifty or a hundred of them, have got together and organized a sort of a trust, absorbing all their interests. Then they have made arrangements to buy flour through one buyer. The result is that they are putting a good many of the mills out of business.

"They are buying flour at a low price, but the public does not get any benefit from the deal. In other words, wheat is around 80 cents out here and bread is selling at the same price as it did during the war when wheat was something like as high as $2.40. There is no doubt but what there is a violation of the Sherman antitrust law."

These charges should be investigated, not only in the interests of the millers who claim they are being put out of business by the pressure of the bakers' combined purchasing power, but also for the benefit of the general public that is being made to pay high prices for flour to equalize the alleged extortions of the bakers.

Current financial reports for flour milling companies are so meager as to afford little or no basis for checking these statements. There is no basic industry which so successfully conceals the facts about its operations. Regarding such well-known companies as Washburn-Crosby, we find only such statements as the following from the Wall Street Journal of October 2, 1923:

"Net earnings for the past 10 years after deducting all taxes and depreciation have averaged over $2,494,000 per annum, or over five times the annual dividend requirements upon the preferred stock."

As the outstanding preferred and common stock of the Washburn-Crosby Co. are both $7,000,000, this means earnings at the rate of 28 per cent on the common stock, after allowing for a 7 per cent dividend on the preferred stock. We may also note, incidentally, that the Washburn-Crosby Co. has accumulated surplus and undivided profits amounting to $4,441,776.

The Standard financial manuals report for the Pillsbury Flour Mills Co.:

"Authorized capital stock $5,000,000, increased from $3,000,000 by a 150 per cent stock dividend, April 8, 1920. Does not furnish report of earnings."

Reorganization of the Pillsbury Flour Mills Co. was completed during the past three months, involving an increase of capital stock from $5,000,000 to $12,500,000. This would seem to indicate large current earnings.

Other cases of large stock dividends disclosed by financial reports are Standard Milling Co., 60 per cent stock dividend, December, 1922; Globe Grain & Milling Co., stock dividends, December 15, 1908, 25 per cent; May 27, 1914, 75 per cent; November, 1920, 60 per cent. Through these cumulative dividends the stock of this company has been increased to three and one-half times its original amount without a dollar of investment by the stockholders.

THE BAKERS' PROFIT.

Current financial reports of the profits of baking companies are somewhat more satisfactory because some of the big baking corporations have recently listed their securities on the stock exchanges and are therefore compelled to make some report of their earnings.

Before plunging into these statistics, however, we may consider the following illuminating statement regarding bread profits in the advertisement of the Purity Baking Co. bonds, published in financial journals of February, 1923:

"The baking industry, furnishing a prime necessity of life, has demonstrated that almost alone among our national industries, it thrives in depressed as well as in prosperous times. The business is done on practically a cash basis, the turnover is very rapid, and the inventories are small and very liquid."

This frank statement seems quite conservative when we examine the records of some of the companies.

As war-time profiteers, the bakers, according to their tax reports, were not quite the equals of the millers. The larger corporations, having outstanding stock of $300,000 or more, reported average profits of 27 per cent on their capital stock, according to the figures given by the Secretary of the Treasury in Senate Document No. 259.

Here are, however, some of the more spectacular profits reported in the same official document (pp. 80–83):

Baking companies, per cent of net income on capital stock.

	1917.	1916.
Code No. F–1–3	267. 9	125. 8
Code No. F–1–12	230. 6	363. 6
Code No. F–1–70	218. 7	153. 3
Code No. F–1–107	337. 4	218. 6
Code No. F–1–148	240. 5	19. 5
Code No. F–1–170	346. 3	156. 1
Code No. F–1–189	424. 7	386. 3
Code No. F–1–205	272. 3	168. 8

While these profits are not quite as exorbitant as those shown in the same year by the millers, it may be noted that the most profitable period for the bakers was not during this war period when the price of wheat and flour was advancing faster than the retail price of bread could well be inflated, but later when the price of wheat and flour crashed down and left the price of bread elevated above even the war levels.

The average retail price of bread for the United States in 1917, according to the Bureau of Labor Statistics, was 9.2 cents a pound, and by October, 1923, had fallen only to 8.7 cents, or 5 per cent. The price of flour in the meantime had fallen 47 per cent and the price of wheat 52 per cent. The material out of which bread is made had fallen, therefore, 10 times as much as the price of bread.

If the price of bread had fallen as much as the price of wheat, bread would now sell at 4.4 cents a pound. And the bakers were not exactly bankrupt in 1917. If the price of wheat had been maintained as the price of bread has been, wheat at Minneapolis would to-day sell for $2 a bushel.

We shall consider a little later the bearing of certain other elements in the cost of bread, including labor, but for the present it is sufficient to state that these are all minor elements of cost, too small to offset this great decline in the price of the principal raw material, while the price of bread remains practically unchanged.

It would seem to follow, therefore, that the present profits of baking companies must be even greater than the extraordinary profits already shown for 1917.

THE GENERAL BAKING CO.

As indicating the accuracy of this conclusion, a study of the General Baking Co. is illuminating. Fortunately, this corporation publishes fairly complete financial statements. The Ward Baking Co. and several of the other big bread companies do not.

The most recent reports available for the General Baking Co. show that this corporation in 1922 earned at the rate of 117 per cent on each share of its original common stock, and in that year declared two stock dividends, one of 100 per cent in January and one of 200 per cent in December.

This is not my calculation but that of the highly conservative Wall Street Journal of February 24, 1923, as set forth in the following quotation:

"Report of General Baking Co. for year ended December 31, 1922, shows net profit of $4,701,422, equivalent after preferred dividends to $9.60 a share on 415,734 shares, no par common, or $117.18 a share earned on 34,000 shares $100 par common outstanding December 31, 1921; and compares with $45.54 earned in that year and $14.29 a share earned in 1920."

This is truly turning bread into gold!

The earnings for 1923 have not yet been published, but there is every reason to believe that they are in excess even of the extraordinary earnings of 117 per cent in 1922. This is shown by the following quotation from Financial America of May 24, 1923:

GENERAL BAKING CO.—CAPACITY OPERATIONS—LARGER EARNINGS.

"Company is operating at capacity rate and earnings so far this year are in excess of those in 1922, it is stated. It is anticipated that the present high earnings will continue throughout the remainder of the year."

117 PER CENT PROFIT ON WATER.

These extraordinary profits of 117 per cent and over on the common stock of the General Baking Co. would be indefensible even if they represented earnings on the investment of actual dollars by stockholders under conditions of great risk. But they do not.

The common stock of the General Baking Co. does not represent actual investment by the stockholders. It is water.

When the General Baking Co. was organized by the consolidation of 20 companies in 1911, the Audit Co., of New York, reported the present value of all its real estate, buildings, machinery, and equipment to be $3,631,796. This was less than the amount of its $3,428,000 of first mortgage bonds, plus its $400,000 of gold notes then outstanding. The other large item in its assets—"Investments in other corporations"—was less than one-third of its preferred stock. There was, therefore, nothing behind its $3,400,000 of common stock and more than half its preferred stock except the $6,899,599 of "good will," which first appears separately in the balance sheet of December 31, 1912.

THREE HUNDRED DOLLARS FOR ONE.

This is indicated by the spectacular rise of the common stock.

General Baking Co. common stock.[1]

[Price per share of original issue.]

1912	$20	1918	$8
1913	23	1919	27
1914	No quotation.	1920	38
1915	7	1921	125
1916	2	1922	332
1917	3	1923	618

Two dollars invested in General Baking common in 1916, just before we entered the World War, are now worth $618. In seven years, one dollar becomes three hundred and nine. This is an increase of 30,899 per cent. All because the American people are paying war prices for their bread.

This huge advance in value was brought about and to some measure concealed by two huge stock dividends in a single year. The first stock dividend of 100 per cent was declared in January, 1922, presumably to conceal the earnings of 45 per cent on the common stock in 1921. The earnings of the General Baking Co. in 1922 were so enormous that a second stock dividend of 200 per cent was distributed as a Christmas present in December, 1922. The first of these stock dividends gave each shareholder two shares of stock for each one originally held, and the second multiplied this by three. Thus each shareholder not only received in 1922 six shares of stock for each one they held at the beginning of the year, but under the beneficent ruling of the Supreme Court they were permitted to evade taxation on these huge melons.

These profits went chiefly to the "insiders." As the Wall Street Journal of December 23, 1922, said:

"General Baking did not come on the stock exchange until last June and the stock has always been closely held. Its rise, however, quietly accomplished, has been amazing. Two years ago shares of the 34,000 outstanding common were quoted below 25. To-day holders of these same shares have six shares paying $4 a share and selling around 60."

[1] Quotations are based on value of original issue of common stock. A stock dividend of 100 per cent in January, 1922, gave each stockholder two shares for one and a second stock dividend of 200 per cent in December, 1922, multiplied these shares by three, giving each stockholder six shares for the one he originally held at the beginning of the year. The quotations on the inflated issues were 168 in 1922 and 103¾ in 1923. Stock quotations for 1912-1921 are from Moody's Analyses of Industrials; for 1922-23 are from the Commercial and Financial Chronicle.

STOCK DIVIDENDS.

As has been stated above, other baking corporations do not make such complete reports, or, on the surface at least, display such remarkable earnings as General Baking. Here is, however, a statement from the Standard Bakeries Corporation of Chicago, one of the six largest bread companies. Through consolidation this corporation now owns bakeries in Akron, Ohio; Omaha, Denver, Pueblo, Colo.; Los Angeles, and Hammond, Ind.:

Net earnings, applicable to interest, taxes, and depreciation.

[Commercial and Financial Chronicle, June 11, 1923.]

	Net earnings available for interest, taxes and depreciation.	Times interest earned.	Depreciation.
1918	$289,266	5.5	$75,623
1919	353,429	6.7	88,218
1920	416,585	7.9	114,574
1921	433,993	8.2	126,533
1922	549,659	10.2	142,044

These figures show that net earnings have practically doubled in five years in spite of a large increase in depreciation reserves.

We may also note the record of the Kroger Grocery & Baking Co. of Ohio, which declared stock dividends of 50 per cent in June, 1920; 33⅓ per cent in December, 1920; and 100 per cent in December, 1922. Through these cumulative stock dividends each stockholder now has four shares for each one that he held before June, 1920.

As I have already pointed out, no satisfactory reports of earnings are made public by the Ward Baking Co. or by the United Bakeries Corporation, which, as will be shown hereafter, is on the verge of forming a huge "bread trust" by absorbing Ward.

Enough has already been shown to demonstrate the results of these modern alchemists who turn bread into gold.

THE RETAILERS' PROFITS.

Here we can not deal in percentages of profits on capital, because the retail grocers through whom the bulk of the bread is distributed deal in all kinds of merchandise. We may, however, secure a clear view of the unreasonable profits realized by the retailers on bread by considering certain simple facts.

Before the war the retailers handled bread on standard margins of half a cent or a cent a loaf. To-day they receive in most cities 2 cents a loaf, but reaching as high as 4 cents in certain cases. Thus the margin is two to four times as great as before the war, although neither the value nor cost of the service has increased appreciably. Generally there is little or no investment involved, as the retailer sells for cash and then settles with the bakery.

At another point some evidence is presented to show the part the baking companies play in maintaining this large margin for the retailers.

The extravagance of this retailer's margin is even more strikingly shown by another consideration. On the basis of this year's prices, the farmer received for the amount of wheat that goes into a pound of bread about 1.35 cents. This is just two-thirds of the retailer's margin.

Think of it; the storekeeper demands and receives 50 per cent more for letting a loaf of bread lie on his shelves a few hours and handing it to a customer than the farmer receives not only for his year's labor of planting, cultivating, harvesting, threshing, and marketing the wheat, but for his investment in the seed and land that grew the wheat and machinery with which it was cultivated.

Could there be a more severe condemnation of the inefficiency, the injustice, and insanity of existing methods of distribution in the United States?

In England the cooperatives handle bread on a margin of one-fifth of a cent a pound. The American retailer's margin is just ten times as great.

OTHER FACTORS.

Before passing on to an examination of the evidence bearing on the methods by which bread prices are fixed, it is necessary to consider briefly certain factors that enter into present prices and to some extent are responsible for the present unreasonable levels.

First of all we have the ever-present question of freight rates.

The Secretary of Agriculture, in his recent report on "The wheat situation," points out the great discrepancy that exists between railroad rates on grain in the United States and in Canada for similar hauls. His report states:

"Relatively high freight rates from producing regions of the United States to the seaboard are a serious handicap in competition with other countries in the markets of the world. The freight rates from points in Montana to Duluth are from 7 to 10 cents a bushel higher than the rates in Canada for the same distances to Port Arthur and Fort William at the head of the Lakes, from which the rates to Liverpool under normal conditions are substantially the same as from Duluth.

* * * * * * *

"It is of interest in this connection that while freight rates in the United States are still 45 per cent and more above the 1913 level, Dominion rates from the western Provinces to Port Arthur are practically on a pre-war basis."

Although present freight rates are very burdensome, when compared to existing prices both of wheat and flour, we shall find when we come a little later to examine retail prices in the different cities that transportation charges do not control bread prices. On the contrary, we find very high bread prices in Chicago and the very heart of the grain belt and very low prices in cities like New Orleans and Houston, Tex., at the end of long hauls from the wheat and flour centers.

WAGES AND LABOR COSTS.

When the consumer begins to protest about the high price of bread and flour, he is almost always met with the same answer that has been given since the war to account for every kind of profiteering—"Look at the wages we are paying." In other words, the miller, the baker, and the retailer all try to "pass the buck" to labor.

This plea does not appear to hold water. When we go to the census of manufactures for 1919, when wages were at the peak, we find that the cost of all the labor in the flour mills is only 2.5 per cent of the wholesale value of their products. In other words, on a barrel of flour that sells for $6 the total labor cost is only 15 cents, or one-twentieth of a cent on the amount of flour that goes into a loaf of bread.

Similarly in the statistics for baking, we find that the cost of labor is only about 14 per cent of the wholesale value of the product. As the average wholesale price of bread per pound is about 7 cents, this means a labor cost of about 1 cent a pound for the country as a whole. Assuming that there has been no increase in efficiency, the average increase in labor costs since 1913 would be about half a cent a pound.

This calculation is confirmed by figures appearing in the December, 1923, issue of the Monthly Labor Review of the United States Bureau of Labor Statistics, which show the following average labor costs per pound of bread including all employees in the principal eastern cities: Baltimore, 0.55 cent; New York, 0.87 cent; Philadelphia, 0.91 cent; Washington, 1.17 cent. We have, therefore, a variation in labor cost from half a cent a pound in Baltimore to a little over a cent a pound in Washington.

Now, it is quite true that the wages of bakers have increased since 1913 more than 100 per cent, because before the war they were miserably underpaid, a skilled oven-man receiving less than $3 for a long day's labor. Present wages for journeyman bakers range from $6 to $7 a day. In this connection, it may be noted that wages in Hebrew bakeries are more than 50 per cent higher than in the large machine bakeries. With modern baking machinery, the amount of labor employed has been so greatly reduced that the cost of labor employed directly in the production of bread is almost a negligible quantity. By far the largest part of the labor cost is paid to the driver-salesmen, who are paid on a commission basis, and are therefore hardly to be classed as wage earners. But even when these are included, the increase in labor cost since 1913 is still too small to be considered seriously in fixing the responsibility for inflated bread prices.

BREAD AND BOLSHEVISM.

Thus far we have been considering the increased prices of bread and flour only as unjustifiable tribute levied upon the American people. Investigation shows, however, that the effects of these excessive price increases do not stop with merely stealing pennies and dollars from the pocketbooks of housewives, but reach down to the very roots of the social and economic structure.

This burden of exorbitant bread prices falls most heavily upon the very poor—upon those who because of their scanty incomes are forced to do without meat and fresh vegetables and subsist on bread, potatoes, and other low-cost foods. Five cents means little to the average American, but to the millions who are reduced to this standard of living the difference between 10 cents and 5 cents a loaf is the difference between subsistence and semistarvation. When they know that bread is selling for war prices while wheat is back on the pre-war level, they see "red." Here is the source of much of that unrest and dissatisfaction that the professional "bolshevik hunters" point to with alarm as evidences of communism and bolshevism.

Sir Charles Napier has well said: "People talk about agitators, but the only real agitator is injustice." What greater injustice can there be than to charge exorbitant prices for bread and pile up the extravagant and unconscionable profits that have been shown above at every stage of the process?

It is idle and vicious to say that the people do not know. They do. I was led to make this study largely because a section hand, the lowest paid job on the railroads, told me how he saw "red" whenever he paid 10 cents for a loaf of bread and realized that the farmers were getting 90 cents or less for their wheat. "My children," he said, "are not getting enough bread or enough milk because I can't afford to pay the price. The farmers are not getting my money. These high prices are making more bolsheviks than all the communist agitators put together. If this keeps on, I may go 'red' myself. What I want to know is this—What are we going to do about it?"

It is not only in the cities but on the farms that this unrest is growing. The farmer knows that not only baker's bread sold in the cities, but the flour and bran that he has to buy for his own use is "out of line" with the price of his wheat. When he sees his bran come back to him at almost the same price per pound that he got for his wheat, he is convinced that he is being robbed "going and coming."

DOMESTIC CONSUMPTION DECLINES.

Because this burden of exorbitant bread prices falls heaviest upon the poor, its social and economic effects are far-reaching and disastrous. To the rich and well to do food costs are of little importance—far less than taxes, for example. Bread forms an infinitesimal part of their cost of living, so they pay the price and grumble about taxes and other things. But with the poor—the widow and the working man with the large family—it is different. Bread, for them, is truly the "staff of life." When the price of bread rises, there is no recourse except to cease eating so much bread. That is undoubtedly what millions in the United States have done, not as a boycott but out of bare necessity. Let us look at some figures contained in the report of the Secretary of Agriculture on "The wheat situation," which shows the results of this enforced abstinence.

Per capita consumption of wheat in the United States—Bushels per person.

1899–1908 (average)	5. 67
1909–1913 (average)	5. 38
1914–1920 (average)	5. 04
1921	4. 34
1922	4. 98

These figures show a decrease of more than two-thirds of a bushel of wheat consumed per person. A bushel of wheat will make 66 loaves of bread. Translated into bread this means therefore that every man, woman, and child in the United States is eating on the average about 44 loaves less per year than was eaten 20 years ago.

The table also indicates that this decline in bread consumption is the result of economic conditions, because the decrease was greatest in the very depressed year 1921 and rebounded with the greater prosperity of 1922.

These figures are of more than ordinary significance. They indicate that somewhere in the United States there are those who have reduced their consumption of

bread to the danger point. They may have substituted potatoes, as the poor and middle classes in Germany have done, but if so, they have substituted starch for protein, with all the dangerous health consequence of an unbalanced diet.

WHOLESALE BANKRUPTCY.

But more than that. They have reduced the domestic market for wheat and thereby have been responsible in part for the bankruptcy of thousands upon thousands of farmers and for the exodus of hundreds of thousands from the farms to the cities. A simple calculation is revealing. Let us suppose that in 1923 the people of the United States were consuming bread at the average of the five pre-war years, or 5.38 bushels per capita. This would mean that there would be used this year for food and feed 600,000,000 bushels. It would mean an increased domestic consumption of some 50,000,000 bushels and would leave only about 100,000,000 bushels to be exported, when proper allowances are made for seed, carry-over, and flour stocks. This would bring a much better domestic wheat market and would go far to check the farm-to-city exodus, which may be a means of temporarily restoring the balance, but in the long run constitutes a serious menace to national welfare.

Few people outside the wheat States understand at all the seriousness of the conditions or the imperative need for early relief. The recent report of the Secretary of Agriculture to the President on "The wheat situation" and a still more recent bulletin of the department contain some figures that should be widely published.

These official reports show that out of a total of 2,289,000 owner and tenant farmers in the wheat States, more than 108,000 lost their farms or other property through foreclosure or bankruptcy; over 122,000 lost their property without legal proceedings, and nearly 373,000 retained their property through leniency of creditors. Thus 603,000 farmers in these 15 States are actually or virtually bankrupt. That is, 26 per cent of all farmers in these States have been ruined by the collapse of wheat prices.

When we come to the individual States, however, the corresponding figures are even more startling: South Dakota, 40 per cent; Colorado, 42 per cent; North Dakota, 50 per cent; Wyoming, 51 per cent; and Montana, 62 per cent. Two farmers out of every three in Montana are therefore virtually bankrupt.

Compare these figures with the profits of millers, bakers, and traders and understand just how far the economic system in the United States is out of adjustment.

NATURAL LAWS SUSPENDED.

We come now to the basic question, Why? We have already seen that it is not simply the blind result of the interplay of economic forces. The law of supply and demand has apparently been suspended in this field. The demand for bread as expressed in consumption has decreased, but without a corresponding fall in bread prices.

There can be little doubt, therefore, that the situation is in part, if not wholly, artificial and arbitrary. Unfortunately, the evidence available is not sufficient to disclose clearly and unmistakably the methods by which trade is restrained and the people robbed, but it does indicate quite clearly the lines for searching investigation.

The circumstantial evidence of local, if not nation-wide, price control is convincing. Below is a table showing the prices of bread in 1923 in a number of cities. These are average prices reported to the Bureau of Labor Statistics by the retailers. In every city there are undoubtedly variations from these prices and being merely the unchecked reports of financially interested persons, can not be accepted as conclusive evidence. It may be safely assumed, however, that the retailers are not reporting higher prices than they actually charge.

Bread prices in American cities, October 15, 1923.

[United States Bureau of Labor Statistics.]

	Cents per pound.
Jacksonville	10.3
Charleston	10.2
Seattle	9.9
Chicago, Omaha	9.8
Butte, New York	9.6

	Cents per pound.
St. Paul	9.4
Portland (Me.), Springfield (Ill.)	9.3
Memphis, San Francisco, Portland (Oreg.)	9.2
Fall River, Atlanta	9.1
Los Angeles, Minneapolis, Washington	9.0
St. Louis, Scranton	8.9
Baltimore, Birmingham, Milwaukee, Providence	8.8
Dallas, Mobile	8.7
Bridgeport, Detroit, Richmond (Va.)	8.6
Indianapolis, Newark, Pittsburgh, Savannah	8.5
Boston, Buffalo, Cincinnati, Louisville, Manchester (N. H.), Peoria, Philadelphia	8.4
Little Rock	8.1
New Haven, Rochester (N. Y.)	8.0
Cleveland, Kansas City (Mo.)	7.9
Denver, Norfolk	7.8
Columbus	7.7
New Orleans	7.6
Houston	7.1

Can anyone offer a reasonable explanation why bread should cost 2 cents a pound less in New Orleans and Houston, Tex., which are far away from the wheat and flour-milling States, than in Seattle, Chicago, Omaha, Butte, and St. Paul, which are in the heart of the Grain Belt? Can there be any reasonable explanation of bread costing 2 cents a pound more in Chicago and Omaha than in Norfolk, Va., and Columbus, Ohio? Are there any economic laws that decree that Boston, Bridgeport, Manchester, New Haven, and other New England towns should have cheaper bread than any city in the Grain Belt except Kansas City?

A mere inspection of these prices is sufficient to demonstrate that they are artificial and are for the most part maintained in the face of the most fundamental economic laws. How they are maintained we will consider later.

The same is true when we consider the amount of increase in bread prices in the various cities from October, 1913, to October, 1923. Here we find absurd variations from an increase of 1.9 cents in Kansas City to 4.6 cents in Omaha.

There is not a single city in the United States where the price of bread has not increased much more than the price of either wheat or flour.

HOW BREAD PRICES ARE FIXED.

Conclusive evidence as to how these obviously artificial bread prices are fixed and maintained is not available. No nation-wide investigation has ever been made by any department of Government empowered to administer oaths or examine books and papers. There is, however, some evidence that is indicative of the methods employed.

In a hearing before the Senate Committee on the District of Columbia in 1920 testimony was presented showing the part played by the large baking companies in maintaining bread prices after they have been fixed. Mr. R. O. Dawson, representing the Piggly-Wiggly stores, testified:

"When we opened our stores here we had made an arrangement with the Corby Baking Co. to handle their bread, and as I have said before, the cost was 7 and 13 cents. The day before our opening we had priced that to sell at 7½ and 14 cents, and a representative of the Corby Baking Co. obtained that information somewhere that we were going to sell at that price, and he came to see me and asked if that was the fact, and I told him it was, and he asked us to sell it at 8 and 15 cents. I asked him what would be the result if we continued; that is, if we opened up for business at 7½ and 14 cents. He intimated that we would not get any bread. Well, that caught us rather short, and there wasn't anything for us to do but to take their bread and sell it at 8 and 15 cents, if we expected to have it for the next day's business. They had distributed their bread boxes to our various stores and arrangements were all made.

"We went along that way until May 15, and I wrote the Corby Baking Co. a letter and advised them that we were going to sell their small loaf at 9 cents and and their large loaf at 17 cents, which was a cent a loaf under the price that they had asked us to sell at after the advance, and I asked them to reply to this letter by the messenger who carried it to them, and Mr. Greene telephoned me that Mr. Corby was out of the city and would not return until Wednesday,

which would have been about—I guess about the 18th and 19th—and asked me to defer any action until that time, which I agreed to do. I told Mr. Greene that I wanted Mr. Corby to answer this letter. He said that he would get in direct touch with me, which he failed to do. So on Saturday of May 22 I cut the price on Corby's bread to 9 and 17 cents, and they were delivered—they failed to deliver it Saturday afternoon in some instances. We were getting three deliveries a day and they failed to make some of the Saturday afternoon deliveries, and on Monday morning they collected all the bread boxes" (p. 53).

Mr. Corby, president of the Corby Baking Co., the largest bakery in Washington, when before the same committee, admitted this practice as follows:

Chairman BALL. I understood your testimony the other day to be that you did not fix the retail price.

"Mr. CORBY. We do not; no sir.

"Chairman BALL. You permit the retailers to fix their retail price of your bread?

"Mr. CORBY. Yes, sir.

"Chairman BALL. No difference what they sell it at, you continue to supply them with bread?

"Mr. CORBY. No, sir.

"Chairman BALL. Well, I don't understand. You say 'no, sir,' to both, that you do not fix, and yet you say 'no, sir,' you will not continue to supply them.

"Mr. CORBY. Yes, sir.

"Chairman BALL. Then if you refuse to supply them with bread if they cut your usual price, then you certainly do fix the price.

"Mr. CORBY. No; I can't see it.

"Chairman BALL. Well, now, if you supply a certain retailer with your bread, with the understanding that he is to charge 10 cents a loaf——

"Mr. CORBY (interposing). We have no understanding with the retailer at all what the price of bread will be.

"Chairman BALL. Well, then, you will supply him with bread just the same if he charges only 9 cents a loaf?

Mr. CORBY. No, sir; because a man doing that is injuring our business.

"Chairman BALL. That is just what I am trying to bring out, whether you do or do not.

"Mr. CORBY. No, sir; we do not.

In presenting this testimony Mr. Corby made it appear that he was forced to this action by the retailers—the "trade," he called it—who would boycott his company if it supplied bread to concerns that cut prices. This would indicate the existence of "retailers' rings" to fix and maintain bread prices, supported by the big bakers, either voluntarily or under threat of boycott. Other evidence pointing in the same direction lies in the fact that in Washington and every other city regarding which I have information advances in bread prices are made simultaneously by substantially all the big baker and retailers. Unfortunately, the Senate committee did not follow up its investigation and conclusive evidence is therefore lacking Here is, however, a fertile field for States attorneys and grand juries.

MONOPOLY IN THE MAKING.

While there is not yet a Bread Trust in the sense that there is a Steel Trust, the evidence is clear that this monopoly is now in the making. Unless it is speedily checked, the bread of the Nation will soon be in the control of one or two gigantic corporations.

Owing to the original highly competitive character of the business, the small capital required, and the impossibility of centralizing production, the process of monopolizing bread has lagged some 20 years behind the monopolization of steel and other commodities peculiarly adapted to trust control. Nevertheless the enormous profits that have been reaped in recent years by the bakers have stimulated the process of consolidation until to-day we have two corporations the General Baking Co. and the United Bakeries Corporation—that cover with a net-work of wholesale bakeries 20 States and the District of Columbia, containing in 1920, 71,106,000 people, or more than two-thirds of the population of the United States. In the larger States, they have their plants strategically located in two or more of the larger cities, from which they are able to ship their bread to the towns throughout the State and into neighboring States.

The location of these plants and the trade names of absorbed companies under which they operate in many of the cities is shown in the following statement:

Cities in which principal bread corporations have baking plants, with trade names of subsidiary or absorbed companies.

Name of city.	General Baking Co.	United Bakeries Corporation (including the Ward Baking Co.)
Ashland, Ky.		Stroehmann Baking Co.
Baltimore, Md.		Ward Baking Co.
Boston, Mass.	Fox (Geo. J.) Co., Ferguson (J. G. & B. S.) Co.	Ward-Corby Co.
Brooklyn, N. Y.	Dillman Baking Co.	Ward Bread Co.
Buffalo, N. Y.	Brunner Baking Co., Collins Baking Co., Ontario Biscuit Co.	Ward & Ward.
Cambridge, Mass.		Ward Baking Co.
Canton, Ohio	Canton Baking Co.	Ward Bros. (Inc.), Ward-Corby Co.
Chicago, Ill.		Memphis Bread Co.
Clarksburg, Miss.		Ohio Baking Co.
Cleveland, Ohio.	Cleveland Baking Co.	Ward Baking Co.
Columbus, Ohio.		Campbell Baking Co.
Dallas, Tex.		Ward Bros. (Inc.).
Dayton, Ohio		Campbell Baking Co.
Des Moines, Iowa		
Detroit, Mich.	Morton Baking & Manufacturing Co.	Ward Bros. (Inc.).
Gary, Ind.		Stroehmann Baking Co.
Huntington, W. Va.		
Jersey City, N. J.	Martens (C.) Co. (Inc.).	Campbell Baking Co.
Kansas City, Kans.		Do.
Kansas City, Mo.		Memphis Bread Co.
Memphis, Tenn.		Ward Baking Co.
Newark, N. J.	Weber Baking Co.	
New Haven, Conn.	S. S. Thompson Baking Co.	
New Orleans, La.	Vories Baking Co.	
New York, N. Y.	Fleischmann's Vienna Model Baking Co.	Ward Bread Co., Shults Bread Co. (12 plants).
		Campbell Baking Co.
Oklahoma City, Okla.		
Philadelphia, Pa.	Kolb Bakery Co.	Ward Baking Co.
Pittsburgh, Pa.	Haller Bread Co.	Ward-Corby Co.
Providence, R. I.	Arnold-Althaus Co.	Ward Bros. (Inc.).
Rochester, N. Y.	Rochester Baking Co., Deininger Bros.' Co.	Campbell Baking Co.
St. Joseph, Mo.		
St. Louis, Mo.	McKinney Bread Co.	Do.
Shreveport, La.		Do.
Sioux City, Iowa.		
Springfield, Mass.	Dexter Bakeries.	Ward Baking Co.
Syracuse, N. Y.	General Baking Co.	Ward Bros. (Inc.).
Toledo, Ohio.	United Baking Co.	Campbell Baking Co.
Topeka, Kans.		Do.
Tulsa, Okla.		Crescent Baking Co.
Utica, N. Y.		
Washington, D. C.	Boston Baking Co.	
Waterbury, Conn.	Dexter Bakeries.	Campbell Baking Co.
Waterloo, Iowa		
Wellsville, W. Va.	Juergens Baking Co.	Stroehmann Baking Co.
Wheeling, W. Va.	....do.	Campbell Baking Co.
Wichita, Kans.		

THE IMPENDING BREAD TRUST.

The consolidation of the Ward Baking Co., with the United Bakeries Corporation is just now being completed. On December 11, 1923, New York newspapers carried reports of the intended merger, of which the following from the World (N. Y.) is typical:

"Negotiations for the sale of the Ward Baking Co. to the United Bakeries Corporation are being carried on and probably will be completed this month. The merger would create a gigantic bread concern, with assets of about $75,000,000 and bakeries in about 30 cities throughout the country."

So swiftly did the negotiations move that on December 18, 1923, announcement was made that the deal had been consummated by the agreement of more than 51 per cent of Ward Baking stockholders to accept the offer of W. B. Ward president of the United Bakeries, of $200 a share for Ward common stock and $100 for the preferred.

Indicative of far-reaching plans for further extension toward monopoly is the fact that immediately after being taken over the Ward Baking Co. was reincorporated under a Maryland charter, increasing its authorized preferred stock from $15,000,000 to $50,000,000 and its common stock from $15,000,000 to 500,000 shares of class A common (no par value) and 500,000 shares of class B common (no par value).

This huge inflation of stock would seem to indicate that the new Ward Corporation is to be used by the United Bakeries either as a basis for absorbing other companies or that its operations are to be increased so as to carry this immense superstructure of preferred and common stock.

The phenomenal growth and expansion of this company during the past two years indicates the rapidity with which this movement toward a bread monopoly is developing. Incorporated under the laws of Delaware in 1922, the United Bakeries corporation acquired control of the Campbell Baking Co., Stroehmann Baking Co., Crescent Baking Co., Ward Brothers (Inc.), Ward & Ward, Memphis Bread Co., and the Shults Bread Co. of New York, which was, in turn, a merger of a number of the leading wholesale bakeries in and around New York City. In December, 1922, its capital stock was increased from $20,000,000 to $50,000,000. Now by securing control of the Ward Baking Co. and increasing Ward's capital to more than $100,000,000, it has reached a position where it can, if it chooses, dominate the entire industry.

The flour millers now charge that by consolidating its purchasing power this great corporation is able to dictate the prices at which it will buy flour, particularly to the smaller millers. Thus it is said to be able to secure flour much cheaper than its smaller competitors and thus secure a great advantage in competition.

How far this pressure has been exerted can not be determined from the available evidence, but it is clear that the situation demands immediate and thorough investigation.

It is apparent, moreover, that this tendency to monopoly, this constant increase in the size of the bread corporations, is not economical or in the interests of the consumer. This is clearly brought out in the testimony of Mr. William H. S. Stevens, assistant chief economist of the Federal Trade Commission, before the Senate Committee on Agriculture and Forestry on February 17, 1922, as follows:

"Possibly the committee would be interested in knowing also the variation in costs, resulting from the size of bakeries. It is rather interesting that you do not find the decrease in the bakers' cost as the size increases that appears in many lines. In bakeries of over 20,000 pounds per day, the commission found the cost per pound to be 7.3 cents; in bakeries running from 5,000 to 20,000, 7.2 cents, and in bakeries under 5,000, 6.9 cents. (This was on the basis of $11 flour.)

"The CHAIRMAN. It would rather indicate that the smaller the bakery the lower would be his production cost?

"Mr. STEVENS. That is apparently indicated. The smaller the bakery the more economical, so it would seem, is the production. The reason, perhaps, is that the smaller bakeries retail and have less selling and delivery expense, whereas the large bakeries are usually wholesalers and selling and delivery expense is higher because of the fact that it is necessary to employ salesmen to sell the retailers. When you get to the large classes of wholesale bakeries, they often sell entirely to the retailers, whereas the smaller bakery often sells only to the consumer."

The surest method of checking this tendency to monopoly is by reducing bread prices to normal levels. As long as bread prices remain such as to permit earnings of 117 per cent and stock dividends of 100 and 200 per cent, the temptation to monopoly will be so great that it can not be checked by antimonopoly laws or threats of prosecution.

WHAT OUGHT TO BE DONE.

The first step toward normal bread prices is speedy and official establishment of the facts along the lines set forth in this report. If the people know how they are being robbed they will not long tolerate the present conditions, but will demand what they are entitled to have on the basis of present wheat prices—a 5-cent loaf.

It is for this reason that the following recommendations for immediate action are made:

1. A Senate resolution directing the Secretary of the Treasury to report the profits of all baking and milling corporations, as disclosed by their tax returns from 1918 to date.

2. A thorough and searching investigation by the appropriate Senate committee of the tribute levied by wheat speculators, grain elevators, railroads, millers, jobbers, bakers, and retailers from the time the wheat leaves the farm until it reachers the dinner table in the form of bread. The committee should be empowered to employ counsel and compel the production of books and papers so that all the unethical and illegal methods by which the price of bread is enhanced may be disclosed.

When these facts have been completely exposed, it will be time to talk of remedies, if in the meantime the American people have not taken matters into their own hands and compelled the doing of justice with reference to this most essential commodity.

In conclusion it may be suggested that the restoration of just and normal bread prices offers an opportunity to save the American people at least $500,000,000 a year—a sum far exceeding the amount involved in Secretary Mellon's proposed tax reductions.

UNITED STATES TARIFF COMMISSION.

INVESTIGATION OF THE DIFFERENCES OF DOMESTIC AND FOREIGN COSTS OF PRODUCTION OF WHEAT AND WHEAT PRODUCTS.

[A statement of information in the investigation respecting wheat and wheat products, paragraph 368 of the tariff act of 1922, on which a public hearing will be held February 18, 1924.]

Costs of manufacture of individual firms and other information in the nature of trade secrets or processes have been eliminated from this statement, as required by section 708 of the revenue act of 1916, the pertinent provisions of which are as follows:

"SEC. 708. It shall be unlawful for any member of the United States Tariff Commission or for any employee, agent, or clerk of such commission, or any other officer or employee of the United States, to divulge or make known in any manner whatever not provided for by law, to any person, the trade secrets or processes of any person, firm, copartnership, corporation, or association embraced in any examination or investigation conducted by said commission or by order of said commission; or by order of any member thereof * * *"

An investigation for the purposes of section 315 of the tariff act of 1922 was instituted by the Tariff Commission on November 14, 1923.

Pursuant to public notice already given, parties interested will have an opportunity to be present, to produce evidence, and to be heard, at a public hearing in said investigation to be held February 18, 1924, at 10 a. m., in the office of the United States Tariff Commission, Washington, D. C.

An application was received from the Wheat Council of the United States, requesting an investigation under section 315, Title III, of the tariff act of 1922.[1]

A copy of the application is attached.

For the purpose of facilitating this hearing the commission herewith submits a statement based on 601 out of a total of 1,844 cost records concerning the data secured in the investigation of wheat and wheat products. Table I of this report is designed to indicate the nature and scope of the cost investigation made by the commission. The remaining tables tend to show the differences in costs of production in certain representative localities in Canada and in the United States.

The commission has in process of tabulation 1,844 production cost records obtained in 79 localities, of which 890 records were obtained from 36 localities in the United States and 954 records from 43 localities in Canada. This statement presents costs for only 28 localities—16 in the United States and 12 in Canada.

The 79 localities where production cost records were obtained appear to be representative of all the distinctive regions in the United States and in Canada where hard spring wheat is an important crop. In their selection the various physical conditions affecting the costs of producing wheat, such as rainfall, soil types, and weed infestation, variations in farm practices, especially with respect to summer following, and also variations in types of farming, especially with respect to the presence or absence of competing farm enterprises, have been given careful consideration. Official data, both Canadian and American, showing the distribution of acreage and production, and the variation in yield per acre and in land values, have been examined in the ascertainment of representative localities.

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[1] The commission also received an application dated Nov. 17, 1923, from Fred P. Mann, chairman of a meeting held by the Devils Lake (North Dakota) Civic and Commerce Association, requesting an increase in the duty on wheat, together with a number of signed petitions in support of said application.

The costs as given below cover all farm production costs, including cost of hauling to the original marketing point, i. e., to the country elevator or to a railroad loading platform. The costs per bushel are in all cases costs for clean wheat. They are computed by dividing total costs less credits for pasturage, straw, etc., by the net yield of wheat after dockage has been deducted.

The commission obtained production cost data for the years 1921, 1922, and 1923. The 1923 costs are presented in Tables II, V, and VII, and the three-year average costs in Tables III, VI, and VIII.

An item equivalent to a charge for the use of land has been shown separately in all tables. Data have been presented for this item as computed by two methods: (1) By the use of a figure equivalent to a net cash rental computed from actual rental data, i. e., the cash rental the landlord actually receives, or the rental which the farmer-owner stated he would be willing to take. In computing cash rentals taxes have been deducted in all cases. (2) By the use of an interest charge computed according to two methods: (*a*) At the current first mortgage rate in a given locality on the land values given by the farmers; (*b*) at current first mortgage rates in the locality, on land values appraised for loan purposes by the Federal Farm Loan Board.

The figures given in the following tables are tentative only and are subject to revision. Consequently they can not be considered in any sense final.

TABLE I.—*Scope of the investigation of wheat costs.*

Names of localities or stations.	Number of farm cost records obtained.	Total acreage of farms studied.	Acres of hard spring wheat planted, 1923.[1]	Production in 1923, gross yield.[1]	Yield per acre, 1923.[2]	Average annual yield.[2]
UNITED STATES.						
				Bushels.	*Bushels.*	*Bushels.*
Red River Valley:[3]						
Hallock, Minn.	30	20,796	5,910	49,480	8.4	11.0
Crookston, Minn.	33	14,473	2,793	29,460	10.6	13.0
Halstad, Minn.	30	8,228	2,158	23,554	10.9	13.0
Casselton, N. Dak.	29	19,393	5,440	43,440	8.0	13.0
Larimore, N. Dak.	25	12,445	3,805	31,156	8.2	13.0
Total	147	75,335	20,106	177,090	8.8	.....
Black Earth area:[4]						
Rugby-Towner, N. Dak.	34	20,465	6,825	38,785	5.7	9.5
Devils Lake, N. Dak.	24	18,305	4,654	32,267	6.9	12.0
Harvey-Fessenden, N. Dak.	22	14,919	4,110	20,233	4.9	12.0
Jamestown, N. Dak.	20	18,652	2,213	27,753	12.5	10.0
Aberdeen-Mansfield, S. Dak.	30	14,363	2,884	27,004	9.4	11.0
Redfield, S. Dak.	17	10,543	2,689	27,925	10.4	10.0
Raymond & Huron, S. Dak.	23	12,970	2,807	25,145	9.0	10.5
Revillo, S. Dak.	26	9,889	2,434	25,179	10.3	10.0
Sisseton, S. Dak.	17	7,622	2,035	19,424	9.5	11.0
Wheaton, Minn.	25	10,554	2,661	22,663	8.5	11.0
Total	238	138,292	33,312	266,378	8.0	.....
Farming-grazing area:[5]						
Scobey-Plentywood, Mont.	23	17,696	5,521	58,379	10.6	10.0
Crosby, N. Dak.	32	15,363	6,924	51,709	7.5	12.0
Minot, N. Dak.	30	19,198	4,866	37,575	7.7	11.0
Steele, N. Dak.	21	12,302	2,119	15,815	7.5	8.0
Eureka, S. Dak.	25	17,777	5,644	37,165	6.6	9.0
Selby, S. Dak.	29	22,664	5,372	33,887	6.3	9.0
Faulkton, S. Dak.	25	15,193	3,474	37,102	10.7	9.0
Miller (Hand County), S. Dak.	25	14,691	2,374	25,684	11.2	9.0
Total	211	134,884	36,294	298,316	8.2	.....

[1] On farms studied.

[2] Average annual yields for United States are the 13-year average yields, 1910–1922, for the county in which the locality is situated: In Alberta the 13-year average yields, 1910–1922, for the constituency have been used. In Saskatchewan the 7-year yields, 1916–1922, for the crop-reporting district; and in Manitoba the 3-year average yields, 1918–1920, for the crop-reporting districts.

[3] Including the following counties: In Minnesota—Kittson, Marshall, Polk, Norman, Clay, and Wilkin. In North Dakota—Pembina, Walsh, Grand Forks, Steele, Traill, Cass, and Richland.

[4] Including the following counties: In North Dakota—Cavalier, Ramsey, Nelson, Griggs, Barnes, Ransom, Sargent, Dickey, Lamoure, Stutsman, Foster, Eddy, Benson, Towner, Rolette, Pierce, Bottineau, McHenry, and Renville. In Minnesota—Traverse, Big Stone, and Lac Qui Parle. In South Dakota—Brown, Marshall, Roberts, Day, Grant, Deuel, Hamlin, Codington, Clark, Spink, Beadle, Kingsbury, and Brookings.

[5] Including the following counties: In North Dakota—Divide, Burke, Williams, Mountrail, Ward, McLean, Mercer, Oliver, Burleigh, Kidder, Sheridan, Logan, McIntosh, Emmons, and Morton. In South Dakota—Campbell, McPherson, Hand, Walworth, Edmunds, Potter, Faulk, Sully, Hyde, and Hughes. In Montana—Sheridan and Roosevelt.

TABLE I.—*Scope of the investigation of wheat costs*—Continued.

Names of localities or stations.	Number of farm cost records obtained.	Total acreage of farms studied.	Acres of hard spring wheat planted, 1923.	Production in 1923, gross yield.	Yield per acre, 1923.	Average annual yield.
UNITED STATES—continued.						
				Bushels.	*Bushels.*	*Bushels.*
Grazing-forage area:[6]						
Dutton, Mont.	34	22,870	6,036	93,987	15.6	17.0
Harlem, Mont.	20	14,572	2,550	39,161	15.4	17.0
Moccasin, Mont.	21	17,508	2,450	46,091	18.8	14.0
Fergus, Mont.	23	17,180	3,607	57,816	16.0	14.0
Glasgow, Mont.	21	13,627	2,679	28,855	10.8	11.0
Terry, Mont.	30	28,967	6,681	42,002	6.3	8.0
Broadview, Mont.	23	14,665	3,731	38,168	10.2	21.0
Hardin, Mont.	11	9,135	1,476	14,857	10.0	20.0
Rosebud, Mont.	18	20,807	1,852	11,046	6.0	16.0
Columbus, Mont.	30	21,713	3,901	36,728	9.4	16.0
Nashua, Mont.	20	11,817	3,759	43,327	11.5	11.0
Hettinger, N. Dak.	22	21,130	4,720	26,075	5.5	9.0
Carson, N. Dak.	21	13,170	3,636	22,990	16.3	8.0
Total	294	227,161	47,078	501,103	10.6	.....
Total, United States	890	575,672	136,790	1,242,887	9.1	.....
CANADA.						
Manitoba:						
Carman	23	11,110	3,232	23,156	7.2	15.5
Hamiota	21	11,008	2,928	64,649	22.1	18.0
Brandon	23	14,540	3,833	62,115	16.2	13.0
Melita	21	11,793	3,649	41,475	11.4	8.5
Neepawa	22	10,860	2,688	36,596	13.6	17.5
Dauphin	26	10,860	2,808	44,645	15.9	17.0
Birtle	20	8,640	1,663	33,049	19.9	17.5
Portage	21	9,902	2,708	36,253	13.4	19.5
Crystal City	21	10,885	3,150	21,649	6.9	13.0
Total	198	99,598	26,659	363,587	16.2	15.0
Alberta:						
Youngstown	15	9,141	2,263	56,173	24.8	15.4
Olds	21	11,040	1,734	56,755	32.7	19.8
Lethbridge	26	34,466	12,254	339,955	27.7	16.7
Claresholm	26	19,302	8,210	226,780	27.6	19.2
Wetaskiwin	19	15,525	2,354	74,191	31.5	22.3
Edmonton	13	6,660	1,089	40,662	37.3	23.8
Westlock	15	5,128	795	33,121	41.6	20.0
Vegreville	21	11,569	2,051	59,530	29.0	19.6
Brooks and Strathmore	39	24,376	8,900	252,274	28.3	19.8
Sedgewick	21	13,073	4,317	121,740	28.2	19.1
Medicine Hat	8	4,913	837	15,663	18.7	12.7
Total	214	155,193	44,804	1,276,744	28.5	17.7
Saskatchewan:						
Milestone	21	20,260	9,626	157,848	16.4	13.8
Alameda	25	16,170	2,962	38,587	13.0	12.3
Maple Creek	21	26,265	2,782	39,083	14.0	10.0
Kerrobert	19	13,024	4,372	122,328	28.0	11.8
Saskatoon	21	14,547	6,297	135,527	21.5	15.1
Melfort	25	13,049	4,615	102,721	22.3	17.2
North Battleford	24	14,020	5,365	151,239	28.2	14.4
Markinch	27	14,845	6,325	94,200	14.9	17.8
Swift Current	12	10,440	3,985	67,494	16.9	13.6
Guernsey	23	11,496	3,843	55,931	14.5	15.1
Sceptre	21	12,476	6,220	145,732	23.4	10.0
Indian Head	20	10,472	3,471	59,022	17.0	13.8
Whitewood	19	8,652	1,772	28,319	16.0	12.3
Lloydminster	28	15,969	3,160	78,051	24.7	14.4
Rosetown	19	20,900	9,915	309,982	31.3	11.8
Robsart	34	15,961	5,378	60,327	11.2	10.0
Cadillac	47	28,610	9,353	175,597	18.8	13.6
Foam Lake	26	13,770	2,122	45,607	21.5	17.8
Kindersely	13	10,145	3,892	102,269	26.3	11.8
Moose Jaw	18	14,428	5,808	109,607	18.9	13.8
Assiniboia	19	10,800	5,141	104,664	20.4	13.6
Yorkton	20	11,218	1,975	42,183	21.4	17.8
Davidson	30	21,620	10,289	194,999	19.0	13.1
Total	532	349,137	118,668	2,421,418	20.4	16.8
Total for Prairie Provinces	954	603,928	190,131	4,061,849	21.4	.....

[6] Including the following counties: In North Dakota—McKenzie, Golden Valley, Billings, Slope, Bowman, Dunn, Stark, Hettinger, Adams, Grant, and Sioux. In Montana—Glacier, Toole, Liberty, Hill, Blaine, Phillips, Valley, Pondera, Teton, Chouteau, Cascade, Fergus, Garfield, McCone, Richland, Dawson, Prairie, Wibaux, Fallon, Custer, Carter, Powder River, Rosebud, Treasure, Big Horn, Yellowstone, Musselshell, Carbon, Stillwater, Sweet Grass, and Wheatland.

TABLE II.—*Summary of 1923 costs per acre (without land charge).*

Station or locality.	Number of cost records obtained.	Acres in spring wheat.[1]	Cost per acre.			
			Preparation, seeding, and harvesting.	Threshing and marketing.	Summer fallow.	Materials and other direct costs.
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn	30	5,910	$3.76	$2.75	$2.23	$2.43
Halstad, Minn	30	2,158	4.60	2.68	.25	2.27
Larimore, N. Dak	25	3,805	3.73	1.97	.28	1.90
Casselton, N. Dak	28	5,440	4.78	1.86	.51	2.21
Area II. Black Earth region:						
Jamestown, N. Dak	20	2,213	3.73	2.40	.40	2.79
Rugby-Towner, N. Dak	34	6,825	3.79	1.42	.23	1.66
Aberdeen-Mansfield, S. Dak	28	2,884	3.72	2.01	.....	2.13
Redfield, S. Dak	17	2,689	4.12	2.51	.....	2.24
Area III. Farming-grazing region:						
Scobey-Plentywood, Mont	22	5,521	4.70	2.74	1.20	1.83
Minot, N. Dak	30	4,866	4.07	2.04	.20	2.10
Carson, N. Dak	21	3,636	4.73	1.41	.03	1.70
Faulkton, S. Dak	26	3,472	3.19	2.16	.....	1.80
Area IV. Grazing-forage region:						
Moccasin, Mont	24	2,450	5.75	2.62	1.02	1.62
Glasgow, Mont	21	2,679	4.98	3.46	2.49	1.75
Rosebud, Mont	18	1,852	4.54	1.72	1.13	.97
Fort Benton-Dutton, Mont	35	6,036	4.01	3.18	3.36	1.40
CANADA.						
Area V. Alberta:						
Westlock	15	795	5.72	7.23	1.61	3.04
Vegreville	21	2,051	5.68	5.05	.87	2.60
Olds	21	1,734	5.55	5.51	1.02	3.42
Lethbridge	26	11,120	3.96	5.85	3.49	2.26
Area VI. Saskatchewan:						
Swift current	12	3,985	4.09	4.06	2.66	2.10
North Battleford	24	5,365	4.97	5.25	1.41	2.20
Malfort	25	5,215	5.11	4.10	1.07	2.13
Rosetown	19	9,915	3.85	6.73	3.53	2.35
Alameda	25	3,062	2.78	3.17	2.02	1.97
Area VII. Manitoba:						
Dauphin	26	2,808	4.43	3.41	1.32	2.42
Melita	21	3,649	3.81	2.85	1.73	2.10
Hamiota	21	2,928	3.07	4.03	1.95	2.79

[1] Acres planted.

TABLE II.—*Summary of 1923 costs per acre (without land charge)*—Continued.

State or locality.	Cost per acre.					Net costs converted to United States currency at average rate of exchange.
	Indirect cash costs.	Miscellaneous.	Total cost.	Credits.	Net cost.	
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn	$0.90	$0.29	$12.36	$0.29	$12.07	.....
Halstad, Minn	.75	.52	11.07	.69	10.38	.....
Larimore, N. Dak	.88	.13	8.89	.12	8.77	.....
Casselton, N. Dak	.83	.29	10.48	.11	10.37	.....
Area II. Black earth region:						
Jamestown, N. Dak	.73	.44	10.49	.10	10.39	.....
Rugby-Towner, N. Dak	.46	.25	7.81	.32	7.49	.....
Aberdeen-Mansfield, S. Dak	.61	.26	8.73	.37	8.36	.....
Redfield, S. Dak	.67	.27	9.81	.30	9.51	.....
Area III. Farming-grazing region:						
Scobey-Plentywood, Mont	.40	.20	11.07	.44	10.63	.....
Minot, N. Dak	.55	.36	9.32	.17	9.15	.....
Carson, N. Dak	.42	.20	8.49	.21	8.28	.....
Faulkton, S. Dak	.56	.22	7.93	.06	7.87	.....
Area IV. Grazing-forage region:						
Moccasin, Mont	.64	.30	11.95	.30	11.65	.....
Glasgow, Mont	.27	.24	13.19	.70	12.49	.....
Rosebud, Mont	.25	.23	8.84	.43	8.41	.....
Fort Benton-Dutton, Mont	.38	.21	12.54	.36	12.18	.....
CANADA.						
Area V. Alberta:						
Westlock	.52	.52	18.64	.85	17.79	17.43
Vegreville	.42	.30	14.92	.77	14.15	13.87
Olds	.61	.34	16.45	.92	15.53	15.22
Lethbridge	.65	.20	16.41	.35	16.06	15.74
Area VI. Saskatchewan:						
Swift Current	.49	.38	13.18	.40	12.78	12.52
North Battleford	.57	.27	14.67	.60	14.07	13.79
Malfort	.53	.27	13.21	.80	12.41	12.16
Rosetown	.79	.43	17.68	.30	17.38	17.03
Alameda	.59	.21	10.74	.08	10.66	10.45
Area VII. Manitoba:						
Dauphin	1.04	.33	12.95	.43	12.52	12.27
Melita	.47	.23	11.19	.07	11.12	10.90
Hamiota	1.22	.29	13.35	.14	13.21	12.95

TABLE III.—*Summary of 3-year average costs, 1921–1923 (without land charge).*

Station or locality.	Number of cost records obtained.	Acres in spring wheat.[1]	Cost per acre.			
			Preparation, seeding, and harvesting.	Threshing and marketing.	Summer fallowing.	Materials and other direct costs.
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn.	28	5,410	$3.76	$5.32	$2.28	$2.70
Halstad, Minn.	28	2,028	4.62	2.95	.16	2.56
Larimore, N. Dak.	22	3,235	3.97	2.56	.29	2.29
Casselton, N. Dak.	20	2,987	4.73	2.24	.94	2.76
Area II. Black Earth region:						
Jamestown, N. Dak.	12	1,608	3.81	2.91	.51	3.08
Rugby-Towner, N. Dak.	31	5,245	4.60	2.70	2.58	2.30
Aberdeen-Mansfield, S. Dak.	30	2,752	3.68	2.13	.....	2.21
Redfield, S. Dak.	16	2,048	4.77	3.06	.....	2.83
Area III. Farming-grazing region:						
Scobey-Plentywood, Mont.	22	5,321	4.69	3.01	1.21	1.92
Minot, N. Dak.	27	4,579	4.10	2.75	.21	2.47
Carson, N. Dak.	16	2,626	4.46	1.56	.02	2.08
Faulkton, S. Dak.	22	3,295	3.14	2.45	.....	1.98
Area IV. Grazing-forage region:						
Moccasin, Mont.	20	2,325	5.67	2.48	1.08	1.68
Glasgow, Mont.	19	2,459	5.18	4.20	2.39	1.90
Rosebud, Mont.	16	1,772	4.39	2.65	1.07	1.02
Fort Benton-Dutton, Mont.	34	5,996	3.78	3.57	3.39	1.49
CANADA.						
Area V. Alberta:						
Westlock.	14	678	5.58	5.89	1.78	3.90
Vegreville.	21	2,051	5.68	4.19	.87	2.90
Olds.	18	1,582	5.60	4.17	.80	3.71
Lethbridge.	25	10,360	3.96	4.00	3.61	2.56
Area VI. Saskatchewan:						
Swift Current.	11	3,910	4.13	4.25	2.63	2.35
North Battleford.	20	4,320	5.04	4.44	1.74	2.35
Melfort.	22	4,750	4.64	4.58	1.01	2.32
Rosetown.	19	9,915	3.85	5.04	3.53	2.61
Alameda.	24	2,987	2.78	3.28	2.00	2.18
Area VII. Manitoba:						
Dauphin.	23	2,365	4.52	4.28	1.27	2.80
Melita.	21	3,649	3.83	3.26	1.73	2.35
Hamiota.	20	2,828	3.13	4.15	1.97	3.17

[1] Acres planted.

TABLE III—*Summary of 3-year average costs, 1921–1923 (without land charge)*—Continued.

Station or locality.	Cost per acre.					
	Indirect cash costs.	Miscellaneous costs.	Total cost.	Credits.	Net cost.	Net cost converted to United States currency at average 1921–1923 rate of exchange.
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn.	$0.91	$0.27	$15.29	$0.29	$15.00	.....
Halstad, Minn.	.74	.53	11.56	.69	10.87	.....
Larimore, N. Dak.	.89	.14	10.14	.12	10.02	.....
Casselton, N. Dak.	.85	.28	11.80	.11	11.69	.....
Area II. Black Earth region:						
Jamestown, N. Dak.	.71	.29	11.31	.10	11.21	.....
Rugby-Towner, N. Dak.	.56	.31	13.05	.32	12.73	.....
Aberdeen-Mansfield, S. Dak.	.61	.24	8.87	.37	8.50	.....
Redfield, S. Dak.	.81	.35	11.82	.30	11.52	.....
Area III. Farming-grazing region:						
Scobey-Plentywood, Mont.	.40	.21	11.44	.44	11.00	.....
Minot, N. Dak.	.56	.32	10.41	.17	10.24	.....
Carson, N. Dak.	.40	.19	8.71	.21	8.50	.....
Faulkton, S. Dak.	.56	.22	8.35	.06	8.29	.....
Area IV. Grazing-forage region:						
Moccasin, Mont.	.65	.32	11.88	.30	11.58	.....
Glasgow, Mont.	.25	.24	14.16	.70	13.46	.....
Rosebud, Mont.	.25	.22	9.60	.43	9.17	.....
Fort Benton-Dutton, Mont.	.38	.21	12.82	.36	12.46	.....
CANADA.						
Area V. Alberta:						
Westlock.	.37	.61	18.33	.85	17.48	16.71
Vegreville.	.42	.30	14.36	.77	13.59	12.99
Olds.	.60	.31	15.19	.92	14.27	13.64
Lethbridge.	.68	.20	15.01	.35	14.66	14.01
Area VI. Saskatchewan:						
Swift Current.	.48	.37	14.21	.40	13.81	13.20
North Battleford.	.61	.34	14.52	.60	13.92	13.31
Melfort.	.53	.28	13.36	.80	12.56	12.01
Rosetown.	.79	.43	16.25	.30	15.95	15.25
Alameda.	.58	.21	11.03	.08	10.95	10.73
Area VII. Manitoba:						
Dauphin.	1.04	.35	14.26	.43	13.83	13.22
Melita.	.47	.23	11.87	.07	11.80	11.28
Hamiota.	1.22	.30	13.94	.14	13.80	13.19

TABLE IV.—*Land charges per acre.*

Station or locality.	Number of records.	Land charge on cash rental basis.[1]	Stated land value per acre.[2]	Appraised loan value per acre.[3]	Rate of interest.[4]	Interest on stated value (per acre).	Interest on appraised loan value (per acre).
UNITED STATES.							
					Per cent.		
Area I. Red River Valley:							
Hallock, Minn.	30	$2.22	$49.67	$42.00	7	$3.48	$2.94
Halstad, Minn.	30	3.94	69.87	52.00	6	4.89	3.12
Larimore, N. Dak.	26	2.26	50.39	54.00	7	3.53	3.78
Cassolton, N. Dak.	29	2.76	68.90	69.00	7	4.82	4.83
Area II. Black Earth:							
Jamestown, N. Dak.	20	1.60	43.72	36.00	8	3.50	2.88
Rugby-Towner, N. Dak.	34	1.53	30.02	27.00	8	2.40	2.16
Aberdeen-Mansfield, S. Dak.	28	2.38	52.67	55.00	6	3.16	3.30
Redfield, S. Dak.	17	2.87	76.62	60.00	6	4.60	3.60
Area III. Farming-grazing:							
Scoby-Plentywood, Mont.	23	.83	24.18	17.00	8	1.93	1.36
Minot, N. Dak.	30	1.71	30.77	31.00	8	2.46	2.48
Carson, N. Dak.	21	.67	21.13	19.00	8	1.69	1.52
Faulkton, S. Dak.	26	1.55	43.90	45.00	7	3.07	3.15
Area IV. Grazing-forage:							
Moccasin, Mont.	21	2.13	43.41	17.00	8	3.47	1.35
Glasgow, Mont.	21	1.29	16.84	14.00	10	1.68	1.40
Rosebud, Mont.	18	.87	19.51	15.00	8	1.56	1.20
Fort Benton-Dutton, Mont.	35	1.00	18.99	19.00	9	1.71	1.71
CANADA.							
Area V. Alberta:							
Westlock	15	3.15	36.75	.....	8	2.94	.....
Vegreville	21	3.17	37.35	.....	8	2.99	.....
Olds	21	2.51	42.37	.....	8	3.39	.....
Lethbridge	26	2.73	33.55	.....	8	2.68	.....
Area VI. Saskatchewan:							
Swift Current	12	1.88	25.81	.....	8	2.06	.....
North Battleford	24	3.66	31.46	.....	8	2.52	.....
Melfort	25	2.99	35.57	.....	8	2.85	.....
Rosetown	19	2.99	32.27	.....	8	2.58	.....
Alameda	25	1.19	19.62	.....	8	1.55	.....
Area VII. Manitoba:							
Dauphin	26	2.46	33.96	.....	8	2.72	.....
Melita	21	1.97	23.85	.....	8	1.91	.....
Hamiota	21	2.06	31.30	.....	8	2.40	.....

[1] Average of cash rentals paid, or estimated, less taxes.
[2] Average (weighted) value of land as given by farmers.
[3] Average loan appraised value, 1922, as given by Federal Farm Loan Board.
[4] Current rate of first mortgage loans.

TABLE V.—*1923 costs per acre, including land charges.*

[Canadian costs converted to American currency at average 1923 rate of exchange.]

Station or locality.	Number of records.	Yield per acre (bushels).	Cost per acre, without land charge.	Cost per acre, land charge on cash rental basis.[1]	Cost per acre, with interest on stated values.[1]	Cost per acre, with interest on appraised loan value.[1]
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn.	30	7.7	$12.07	$15.12	$16.83	$16.10
Halstead, Minn.	30	9.9	10.38	15.19	15.59	13.70
Larimore, N. Dak.	26	7.4	8.77	11.61	12.56	12.83
Casselton, N. Dak.	29	7.3	10.37	13.24	15.39	15.40
Area II. Black Earth:						
Jamestown, N. Dak.	20	11.9	10.39	12.22	14.36	13.65
Rugby-Towner	34	5.3	7.49	9.24	10.05	9.79
Aberdeen-Mansfield, S. Dak.	28	8.8	8.36	10.86	11.72	11.66
Redfield	17	9.7	9.51	12.39	14.11	13.11
Area III. Farming-grazing:						
Scobey-Plentywood, Mont.	23	10.0	10.63	11.59	12.88	12.21
Minot, N. Dak.	30	6.8	9.15	11.37	11.77	11.80
Carson, N. Dak.	21	6.1	8.28	8.96	9.99	9.82
Faulkton, S. Dak.	26	10.4	7.87	9.43	10.94	11.02
Area IV. Grazing forage:						
Moccasin, Mont.	21	18.5	11.65	14.25	15.82	13.27
Glasgow, Mont.	21	10.5	12.49	14.39	14.92	14.51
Rosebud, Mont.	18	5.8	8.41	9.45	10.31	9.87
Fort Benton-Dutton, Mont.	35	15.2	12.18	13.88	15.10	15.10
CANADA.						
Area V. Alberta:						
Westlock	15	40.8	17.43	21.94	21.46	.....
Vegreville	21	28.5	13.87	17.61	17.59	.....
Olds	21	32.3	15.22	18.17	19.25	.....
Lethbridge	26	30.2	15.74	20.13	20.43	.....
Area VI. Saskatchewan:						
Swift Current	12	16.6	12.52	14.92	15.47	.....
North Battleford	24	26.7	13.79	18.34	17.03	.....
Melfort	25	18.9	12.16	15.32	15.52	.....
Rosetown	19	30.5	17.03	21.51	20.91	.....
Alameda	25	11.9	10.45	12.18	13.04	.....
Area VII. Manitoba:						
Dauphin	26	15.1	12.27	15.17	15.46	.....
Melita	21	10.6	10.90	13.66	13.88	.....
Hamiota	21	21.3	12.95	16.07	17.12	.....

[1] Including land charge on summer fallow land.

TABLE VI.—*Three-year (1921–1923) average costs per acre, including land charge.*

[Canadian costs converted to American currency at average 1921–1923 rates of exchange.]

Station or locality.	Number of records.	Normal yield per acre (bushels).	Cost per acre without land charge.	Cost per acre with land charge on cash rental basis.	Cost per acre with interest on stated values.	Cost per acre with interest on appraised loan value.
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn.	28	15.4	$15.00	$18.05	$18.83	$18.23
Halstad, Minn.	28	11.3	10.87	15.68	16.25	14.30
Larimore, N. Dak.	22	12.5	10.02	12.86	13.90	14.18
Casselton, N. Dak.	20	8.9	11.69	14.56	16.99	17.00
Area II. Black Earth:						
Jamestown, N. Dak.	12	12.3	11.21	13.04	15.06	14.38
Rugby-Towner, N. Dak.	31	10.0	12.73	14.48	15.37	15.11
Aberdeen-Mansfield, S. Dak.	30	9.3	8.50	11.00	12.17	12.33
Redfield, S. Dak.	16	12.0	11.52	14.40	16.86	15.70
Area III. Farming-grazing:						
Scobey-Plentywood, Mont.	22	11.4	11.00	11.96	13.22	12.56
Minot, N. Dak.	27	9.5	10.24	12.44	12.95	12.97
Carson, N. Dak.	16	8.3	8.50	9.18	10.36	10.17
Faulkton, S. Dak.	22	11.1	8.29	9.85	11.85	11.94
Area IV. Grazing-farming:						
Moccasin, Mont.	20	16.2	11.58	14.18	15.57	13.13
Glasgow, Mont.	19	12.7	13.46	15.36	15.39	15.07
Rosebud, Mont.	16	8.4	9.17	10.21	10.96	10.55
Fort Benton-Dutton, Mont.	34	11.8	12.46	14.16	14.43	14.43
CANADA.						
Area V. Alberta:						
Westlock.	14	33.2	16.71	21.22	19.91	.....
Vegreville.	21	23.5	12.99	16.73	16.25	.....
Olds.	18	24.6	13.64	16.59	17.33	.....
Lethbridge.	25	20.2	14.01	18.40	16.93	.....
Area VI. Saskatchewan:						
Swift Current.	11	17.2	13.20	15.60	15.47	.....
North Battleford.	20	15.9	13.31	17.86	16.08	.....
Melfort.	22	21.4	12.01	15.17	15.15	.....
Rosetown.	19	22.5	15.25	19.74	18.09	.....
Alameda.	24	12.0	10.73	12.46	12.43	.....
Area VII. Manitoba:						
Dauphin.	23	23.6	13.22	16.12	16.18	.....
Melita.	21	13.7	11.28	13.98	13.36	.....
Hamiota.	20	22.9	13.19	16.31	15.81	.....

TABLE VII.—*1923 costs per bushel, with and without land charge.*

[Canadian costs converted to United States currency at average 1923 rates of exchange.]

Station or locality.	Number of records.	Bushels per acre, 1923.	Cost per bushel without land charge.	Cost per bushel with land charge on cash rental basis.	Cost per bushel with land charge at interest on stated value.	Cost per bushel with land charge at interest on appraised value.
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn.	30	7.7	$1.57	$1.96	$2.19	$2.09
Halstad, Minn.	30	9.9	1.05	1.53	1.57	1.38
Larimore, N. Dak.	26	7.4	1.18	1.57	1.70	1.73
Casselton, N. Dak.	29	7.3	1.42	1.81	2.11	2.11
Area II. Black Earth:						
Jamestown, N. Dak.	20	11.9	.87	1.03	1.21	1.13
Rugby-Towner, N. Dak.	34	5.3	1.41	1.74	1.90	1.85
Aberdeen-Mansfield, S. Dak.	28	8.8	.95	1.23	1.31	1.32
Redfield, S. Dak.	17	9.7	.98	1.28	1.45	1.35
Area III. Farming-grazing:						
Scobey-Plentywood, Mont.	23	10.0	1.06	1.16	1.29	1.22
Minot, N. Dak.	30	6.8	1.34	1.67	1.73	1.73
Carson, N. Dak.	21	6.1	1.36	1.47	1.64	1.61
Faulkton, S. Dak.	26	10.4	.76	.91	1.05	1.06
Area IV. Grazing farming:						
Moccasin, Mont.	21	18.5	.63	.77	.85	.72
Glasgow, Mont.	21	10.5	1.19	1.37	1.42	1.38
Rosebud, Mont.	18	5.8	1.45	1.63	1.78	1.70
Fort Benton-Dutton, Mont.	35	15.2	.80	.91	.99	.99
CANADA.						
Area V. Alberta:						
Westlock.	15	40.8	.43	.54	.53	.....
Vegreville.	21	28.5	.49	.62	.62	.....
Olds.	21	32.3	.47	.56	.60	.....
Lethbridge.	26	30.2	.52	.67	.68	.....
Area VI. Saskatchewan:						
Swift Current.	12	16.6	.75	.90	.93	.....
North Battleford.	24	26.7	.52	.69	.64	.....
Melfort.	25	18.9	.64	.81	.82	.....
Rosetown.	19	30.5	.56	.70	.68	.....
Alameda.	25	11.9	.88	1.02	1.19	.....
Area VII. Manitoba:						
Dauphin.	26	15.1	.81	1.00	1.02	.....
Melita.	21	10.6	1.03	1.29	1.31	.....
Hamiota.	21	21.3	.61	.75	.80	.....

TABLE VIII.—*Three-year (1921–1923) average costs per bushel, with and without land charges.*

[Canadian costs converted to United States currency at average 1921–1923 rate of exchange.]

Station or locality.	Number of records.	Normal yield per acre (bushels).	Cost per bushel without land charge.	Cost per bushel with land charge on cash rental basis.	Cost per bushel with land charge at interest on stated value.	Cost per bushel with land charge and interest on appraised value.
UNITED STATES.						
Area I. Red River Valley:						
Hallock, Minn	28	15.4	$0.97	$1.17	$1.22	$1.18
Halstad, Minn	28	11.3	.96	1.39	1.44	1.27
Larimore, N. Dak	22	12.5	.80	1.03	1.11	1.13
Casselton, N. Dak	20	8.9	1.31	1.64	1.91	1.91
Area II. Black earth:						
Jamestown, N. Dak	12	12.3	.91	1.06	1.22	1.17
Rugby-Towner, N. Dak	31	10.0	1.27	1.45	1.54	1.51
Aberdeen-Mansfield, S. Dak	30	9.3	.91	1.18	1.31	1.33
Redfield, S. Dak	16	12.0	.96	1.20	1.40	1.31
Area III. Farming—grazing:						
Scobey-Plentywood, Mont	22	11.4	.96	1.05	1.16	1.10
Minot, N. Dak	27	9.5	1.08	1.31	1.36	1.37
Carson, N. Dak	16	8.3	1.02	1.11	1.25	1.23
Faulkton, S. Dak	22	11.1	.75	.89	1.07	1.08
Area IV. Grazing-farming:						
Moccasin, Mont	20	16.2	.71	.88	.96	.81
Glasgow, Mont	19	12.7	1.06	1.21	1.21	1.19
Rosebud, Mont	16	8.4	1.10	1.22	1.30	1.26
Fort Benton–Dutton, Mont	34	11.8	1.06	1.20	1.22	1.22
CANADA.						
Area V. Alberta:						
Westlock	14	33.2	.51	.64	.60	.....
Vegreville	21	23.5	.55	.71	.69	.....
Olds	18	24.6	.55	.67	.70	.....
Lethbridge	25	20.2	.70	.86	.84	.....
Area VI. Saskatchewan:						
Swift Current	11	17.2	.77	.91	.90	.....
North Battleford	20	15.9	.84	1.12	1.01	.....
Melfort	22	21.4	.56	.71	.71	.....
Rosetown	19	22.5	.68	.88	.80	.....
Alameda	24	12.0	.89	1.04	1.04	.....
Area VII. Manitoba:						
Dauphin	23	23.6	.56	.68	.68	.....
Melita	21	13.7	.82	1.02	.98	.....
Hamiota	20	22.9	.57	.71	.69	.....

TABLE IX.—*Summary of preliminary data on costs of producing wheat in the United States and Canada.*

Name of station or locality.	Number of cost records obtained.	Bushels per acre.[1]		Cost per bushel.					
				Without land charge.		With land charge on cash rental basis.[2]		With land charge at interest on stated values.[3]	
		1923	Average, 1921–1923	1923	Average, 1921–1923	1923	Average, 1921–1923	1923	Average, 1921–1923
UNITED STATES.									
Red River Valley:									
Hallock, Minn	30	7.7	15.4	$1.57	$0.97	$1.96	$1.17	$2.19	$1.22
Halstad, Minn	30	9.9	11.3	1.05	.96	1.53	1.39	1.57	1.44
Casselton, N. Dak	29	7.3	8.9	1.42	1.31	1.81	1.64	2.11	1.91
Larimore, N. Dak	26	7.4	12.5	1.18	.80	1.57	1.03	1.70	1.11
Black-earth area:									
Rugby-Towner, N. Dak	34	5.3	10.0	1.41	1.27	1.74	1.45	1.90	1.54
Jamestown, N. Dak	20	11.9	12.3	.87	.91	1.03	1.06	1.21	1.22
Aberdeen-Mansfield, S. Dak	30	8.8	9.3	.95	.91	1.23	1.18	1.31	1.31
Redfield, S. Dak	17	9.7	12.0	.98	.96	1.28	1.20	1.45	1.40
Farming-grazing area:									
Scobey-Plentywood, Mont	23	10.0	11.4	1.06	.96	1.16	1.05	1.29	1.16
Carson, N. Dak	32	6.1	8.3	1.36	1.02	1.47	1.11	1.64	1.25
Minot, N. Dak	30	6.8	9.5	1.34	1.08	1.67	1.31	1.73	1.36
Faulkton, S. Dak	26	10.4	11.1	.76	.75	.91	.89	1.05	1.07
Grazing-forage area:									
Fort Benton, Mont	34	15.2	11.8	.80	1.06	.91	1.20	.99	1.22
Moccasin, Mont	21	18.5	16.2	.63	.71	.77	.88	.85	.96
Glasgow, Mont	21	10.5	12.7	1.19	1.06	1.37	1.21	1.42	1.21
Rosebud, Mont	18	5.8	8.4	1.45	1.10	1.63	1.22	1.78	1.30
CANADA.									
Alberta:									
Westlock	15	40.8	33.2	.43	.51	.54	.64	.53	.60
Vegreville	21	28.5	23.5	.49	.55	.62	.71	.62	.69
Olds	21	32.3	24.6	.47	.55	.56	.67	.60	.70
Lethbridge	26	30.2	20.2	.52	.70	.67	.86	.68	.84
Saskatchewan:									
Swift Current	12	16.6	17.2	.75	.77	.90	.91	.93	.90
North Battleford	24	26.7	15.9	.52	.84	.69	1.12	.64	1.01
Melfort	25	18.9	21.4	.64	.56	.81	.71	.82	.71
Rosetown	19	30.5	22.5	.56	.68	.70	.88	.68	.80
Alameda	25	11.9	12.0	.88	.89	1.02	1.04	1.19	1.04
Manitoba:									
Dauphin	26	15.1	23.6	.81	.56	1.00	.68	10.2	.68
Melita	21	10.6	13.7	1.03	.82	1.29	1.02	1.31	.98
Hamiota	21	21.3	22.5	.61	.57	.75	.71	.80	.69

[1] I. e., after deduction for dockage.
[2] Cash rentals are amounts landlords receive or owners would be willing to pay, less taxes.
[3] Interest at current rates on first mortgage loans calculated on values of land given by farmers.

STATEMENT OF BASIC POINTS OR PROBLEMS ARISING FROM OR INVOLVED IN CONSIDERATION OF COST DATA PRESENTED ABOVE.

In approaching the problem of ascertaining the differences in cost of production as between the United States and Canada it is necessary to consider the following points which, among others, appear to be of fundamental importance, and to which interested parties are requested especially to address themselves at the hearing:

1. The choice of the year or years to be used as a basis for cost comparison; i. e., should the costs of the crop year 1923 be used or the three-year average costs 1921–1923.
2. The form of average, if any, or type of cost to be used. (Arithmetical average, bulk-line costs, representative costs, etc.)
3. Treatment of transportation and marketing costs.
4. Should an item for use of land be included in costs?

5. If an item for the use of land is included in costs which of the following methods of computation should be used:
(*a*) On cash rental basis; i. e., at the rental the tenant pays or the rental the farmer-owner would be willing to take.
(*b*) Computation of an interest charge on values given by farmers using current rates on first-mortgage loans.

The CHAIRMAN. I will ask the reporter to insert in the record this statement which I have prepared.

(The statement referred to is here printed in full, as follows:)

STATEMENT OF SENATOR NORRIS, EXPLAINING S. 1642, A BILL TO PROVIDE FOR THE PURCHASE AND SALE OF FARM PRODUCTS.

This bill is intended to set up a gigantic middleman between the producer and consumer of farm products. It provides for the establishment of a governmental corporation, the capital stock of which is furnished entirely by the Government. Its object is declared to be the elimination, as far as possible, of commissions and charges that are exacted on agricultural products from the time they leave the producer until they reach the consumer, and to thereby increase the price which the producer receives and reduce the price which the consumer pays.

The corporation is empowered to build or to buy, lease, and operate elevators and storage warehouses; to buy agricultural products from any producer or any organization of producers within the United States, and to sell such products to any person or cooperative association of consumers within the United States, and to such organizations of consumers or to Governments or municipalities or subdivisions of Governments without the United States. These sales can be made on time, taking security guaranteed by such foreign organizations or such Governments, drawing such interest as the corporation shall fix. The corporation can also act as agent of any cooperative organization of producers in the United States in the sale of such products, either within or without the United States, and to make advances for the purpose of assisting any such organization in financing the sale or exportation and sale of agricultural products.

The corporation is empowered to issue and have outstanding bonds not exceeding at any one time more than five times its paid-in capital. It is likewise given authority to operate any of the vessels now owned by the United States which are not in use, for the purpose of carrying farm products to various ports. No charge shall be made for the use of such vessels, but the corporation is required to keep the same in repair and to turn the same over to the United States upon the demand of the President in case of war or danger of war. It is seen, therefore, that to a great extent this bill would preserve the American merchant marine. Instead of selling our ships for a small portion of their value and buying them back again in case of war, it would retain them and permit this corporation to operate them, thus having them in readiness for any emergency where the Government would require their use.

This bill is intended to bring together, as closely as possible, the producer and the consumer. It will be a huge middleman, actuated by the purpose of performing service and not for making money. It can ship the surplus products abroad, or it can store such products in its own elevators for the purpose of resale when instead of a surplus we have a shortage of crops. It is believed that it would not only increase the price the farmer gets but would also reduce what the consumer pays, and, further, that it would make sufficient profit upon these operations to pay all expenses and to set aside every year a small surplus that in time would repay the Government for the advances made in subscribing for its capital stock.

The CHAIRMAN. If that is all, we will now consider the hearings closed.

(Whereupon, at 11.40 o'clock a. m., the hearings were closed, and the committee adjourned until 10.30 o'clock a. m., Saturday, February 16, 1924.)

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